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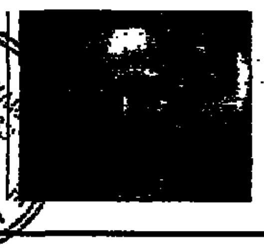
FRIDAY NOVEMBER 13 1998

FT Weekend tomorrow
The web of intrigue that is leading to Africa's 'first world war'



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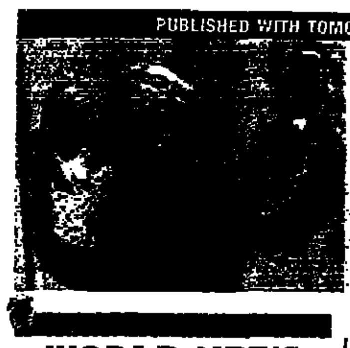
PUBLISHED WITH TOMORROW'S WEEKEND FT



how to spend it colour magazine
the no-subsidy theatres that are making a profit

WORLD NEWS

Kosovo Albanians seized in Serb revenge kidnapping

Amid signs of a deteriorating security situation in Kosovo, Serb civilians took hostage a group of ethnic Albanians in retaliation for the abduction of two Serb villagers by separatist rebels. Page 3

Air accord boosts alliance
The US and Italy agreed a new "open skies" accord that is expected to hasten the formation of a new international airline alliance, including Alitalia, Northwest Airlines of the US and KLM of the Netherlands. Page 7

Japan unveils stimulus plan
Japan's ruling Liberal Democratic Party unveiled its largest stimulus package, but markets slumped as traders viewed the plans as too timid. Page 14

Asian economies mark time
The economies of Asia are likely to slip deeper into recession before they recover and any upturn is not likely for another two-three years, Moody's Investors Service said. Page 6

Recession warning for US
US companies face a profits recession as rising wages combine with a slowdown in demand to squeeze corporate margins, a leading group of business economists said. Page 4

Indonesian Troops open fire
Indonesian troops opened fire on student demonstrators after they broke through police lines in an attempt to reach parliament and demand the country's top legislative body bring in political reform.

Israel publishes settlement plans
Israel published plans to build more than 1,000 homes at a Jewish settlement site in Arab East Jerusalem.

Cloning breakthrough reported
US scientists said they had used cloning technology to fuse human and cow cells in an attempt to grow organs for transplant in a laboratory dish.

Paris museum staff strike
Staff at the Musée d'Orsay art museum in Paris staged a one-day strike to protest against working conditions during an exhibition of paintings by Vincent Van Gogh and Jean-François Millet.

Spain considers 'dirty war' appeals
Spain's highest court agreed to hear appeals of a former Socialist interior minister and 10 others convicted for involvement in a "dirty war" against Basque separatists.

France bids to extradite Pinochet
France completed its request for the extradition of former Chilean dictator Augusto Pinochet and will formally deliver it to British authorities by today.

German moves on citizenship law
The German government said it wanted to reform the country's citizenship law in order to improve the integration of millions of foreigners living in the country.

BUSINESS NEWS

Scandinavian banks in bidding battle for Norway's Fokus

Svenska Handelsbanken, Sweden's largest bank, was last night locked in a bidding battle with Denmark's Den Danske Bank for Fokus Bank of Norway. A surprise NKr5.6bn ($748m) bid for Fokus, launched by Den Danske, was later trumped by Handelsbanken. Page 15

Hicks, Muse, Tate & Furst, the private US equity fund group, is planning to launch a new $1.5bn fund dedicated to European investments. Page 15

Veba, the German industrial group, blamed a poor performance by its silicon wafer business and start-up losses in telecommunications for a 16.2 per cent fall in profits. Page 15

ABN Amro, the Dutch bank, admitted the loss of Fl 178m ($93.6m) due to an alleged systematic fraud by employees handling the accounts of wealthy non-residents. Page 18

OTE, the partly privatised Greek telecoms operator, plans to finance the $675m acquisition of Rom Telecom of Romania through an international bond to be issued next year. Page 19

Deutsche Telekom, Europe's biggest telecommunications group, has unveiled price cuts of up to 63 per cent, in a move likely to dent profits at the partly privatised company. Page 19

Guyana is privatising its troubled bauxite industry and is inviting foreign investors to buy a stake in the state-owned companies that run the industry. Page 3

Zeneca, the UK pharmaceuticals group, has put its speciality chemicals business up for sale, just days after Ciba and Clariant announced their merger to create the world's largest speciality chemicals company. Page 15; Lex, Page 14

The pressure on Japan's vehicle sector eased as Mazda Motor and Honda Motor reported solid first-half earnings. Page 15

Portugal Telecom reported net income of Es61.1bn ($355m) in the first three quarters, though the result was diluted by recent acquisitions in Brazil. Page 18

An Italian publishing company is to unveil plans to list on the Milan stock exchange amid growing signs that Europe's initial public offering market is regaining momentum. Page 18

Crédit Lyonnais, the troubled French bank, is set to complete the sale of its network in Spain by mid-January following a provisional agreement with two Spanish savings banks. Page 19

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 35

Ciampi backs calls for flexible targets

By James Blitz and Wolfgang Münchau in Rome

Carlo Azeglio Ciampi, Italy's Treasury minister, yesterday threw his weight for the first time behind calls for a flexible interpretation of the European Union's Growth and Stability Pact, designed to ensure fiscal responsibility in countries joining the single currency next year.

Backing moves for infrastructure investment to be excluded from government budget calculations, Mr Ciampi said there was now "room for manoeuvre" for a redefinition of the pact that could boost economic growth and employment across Europe.

In an interview with the Financial Times, Mr Ciampi insisted that Italy, like other participants in the new single currency project, must "stick to the principle" set out in the Maastricht treaty of maintaining tight budgetary policies. But he added: "How fast we go depends on the economic situation."

The stability pact sets strict limits on countries' budget deficits to strengthen the economic cohesion of the new Euro-zone.

Mr Ciampi has been widely hailed as the tough and uncompromising steward of Italy's public finance reform in recent years.

His move to a more flexible stance may cause renewed concern among central bankers who fear that a reinterpretation of the stability pact will undermine the stability of the euro.

Mr Ciampi, who will next week hold his first bilateral meeting with Oskar Lafontaine, the new German Treasury minister, said amending the pact could trigger additional investment in public infrastructure, adding: "There's room for manoeuvre in this way."

He insisted, however, that there should be no scaling down of Italy's determination to reduce public debt to 107 per cent of gross domestic product by 2001.

He said there would have to be a speeding up of Italy's privatisation programme to keep the debt reduction plan on target.

Separately, Mr Ciampi favoured moves towards the formation of an economic government for Europe once the euro has started. "I don't think we will have a federal government but something in between a federal state and a federation of states," he said.

He also appeared to back calls by his German and French counterparts for a reduction in the Euro benchmark rate, currently at 3.3 per cent.

Mr Ciampi said there was room for "a dialectic confrontation between central bankers and governments," adding: "There's nothing sacrilegious for central bankers to say something about fiscal policy and that goes for governments as well. Saying that a fall in the interest rate is right for the economic situation is not a crime."

Nor did Mr Ciampi rule out the possibility of supporting the creation of target exchange rate zones by European governments participating in the Euro as a means of exercising influence over the ECB's monetary policy.

ECB seeks staff, Page 2

China sentenced Hong Kong gangster Cheung Tze-keung to death, causing concern in the former colony, which has no death penalty. Page 14 Reuters

Arab states press Saddam to give in to UN demands

By Our International Staff

Leading Arab states yesterday increased pressure on President Saddam Hussein of Iraq to back down over blocking UN weapons arms inspectors or face US-led military strikes.

The joint statement by eight Arab states, including Egypt, Saudi Arabia and Syria, warned Mr Saddam that he would be "solely responsible" for the consequences of maintaining the curb on inspections.

The US seized on the appeal as evidence of "the growing and near unanimity" in the Arab world that Mr Saddam would be to blame for bringing military strikes upon his country.

Nevertheless, the Arab states gave no indication they would support air strike. In February, they made similar appeals but opposed military action, fearing it would trigger political instability across the region.

In a bid to maximise pressure on Iraq, the US yesterday started to move two dozen B-52 bombers and F-117 stealth fighters to the Indian Ocean island of Diego Garcia, and pressed ahead with plans, announced on Wednesday, to send another 3,000 troops to join its 1,500 force in Kuwait.

This will leave US air and sea forces in the region somewhat below Washington's deployment in February's crisis over Iraq's obstruction of UN inspectors seeking to track down Mr Saddam's arsenal of non-conventional weapons, but with more than double the complement of cruise missiles they had then.

US and UN officials suggested yesterday that a US-led military strike could take place within three or four days unless Mr Saddam backs down.

Tariq Aziz, the Iraqi deputy prime minister, yesterday gave no indication Iraq was ready to cede ground, and described Iraq as an innocent victim of US aggression. "We know that compliance and co-operation is the road to lifting the sanctions but who is blocking that road? The road is being blocked continuously, stubbornly, illegally by [Mr Clinton's] government."

Officials in Washington said the US was ready to strike at any time, and there was no need for further warnings. The White House said President Clinton had a variety of options, and had "maximum flexibility in pursuing these options".

In Britain, Tony Blair, the prime minister, said "the next step is action" if Mr Saddam did not comply with the UN resolutions.

Reports by David Buchan, David Gardner and David Wighton in London and Stephen Fidler in Washington.

Continuing threats, Page 4
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SENIOR OFFICIAL WARNS OF POSSIBLE COLLAPSES

Russian banks fear

By John Thornhill in Moscow and Jeremy Grant in London

Almost half Russia's 1,500 banks face closure over the next few months because the government does not have enough money to save them, Andrei Kozlov, the first deputy chairman of the central bank, said yesterday.

The collapse of hundreds of Russian banks could force foreign creditors to write off billions of dollars of additional losses leading to a further credit contraction around the globe.

Foreign bankers estimate that, following the devaluation of the rouble, Russian banks may be able only to honour $1bn-$2bn of the $6bn of foreign exchange contracts they signed with western banks.

Russian banks may also default on billions of dollars of commercial borrowings and syndicated loans.

David Levey, managing director of the sovereign risk unit at Moody's Investors Service, the credit rating agency, said most Russian banks were effectively insolvent.

"There is not much of that money that is going to be coming back. Banks are going to take a hit on this," he said.

Many of Russia's banks, which have been devastated by the devaluation of the rouble and the government's default on its domestic debt (GKO) market, could be forced into bankruptcy when a 90-day moratorium on repaying foreign debts expires on November 14.

The moment the moratorium is lifted, angry foreign banks – which were once among the most enthusiastic investors in Russia's nascent financial markets – are likely to go on the offensive to recover their debts through the courts.

Lawyers suggest foreign creditors may also intensify their efforts to track down and seize overseas assets of exposed Russian commercial banks – however tortuous that may prove.

Scramble for assets, Page 3

Metro launches big retailing shake-up

By Graham Bowley in Frankfurt

Metro, Europe's biggest retailer, is selling businesses with DM16bn ($9.6bn) in sales in a shake-up of its supermarket and shopping empire.

The moves, by the world's second largest retailer after Wal-Mart of the US, appear to be a response to threats to its position from ambitious rivals.

Wal-Mart, for example, announced its entry into the European market last December.

Metro also hopes to benefit from further consolidation in the European retail sector, which is set to accelerate once the euro is launched next year.

Deutsche Bank will lead a group of investors who will take over Metro's Kaufhalle department stores, its Vobis and other dedicated computer shops and food and fashion interests.

The businesses, which bring in a sixth of Metro's revenues, will be merged into a new company called Divag, in which Metro will retain a stake of less than 50 per cent and will invest DM350m.

The restructuring, which is the latest step by Metro to build a powerful Europe-wide retailing network, will increase the group's focus on four core business divisions – cash-and-carry, hypermarkets and supermarkets, department stores and non-food specialist shops.

It is the latest in a series of deep corporate restructurings by big German groups, following moves earlier this month by Siemens, the engineering group, and Viag, the conglomerate, featuring sales of non-core assets.

Metro said it would retain its stake in Divag for the foreseeable future, and confirmed plans for a DM4.8bn capital increase later this year.

The proceeds would be used to take full control of its cash-and-carry interests from its parent group Metro Holding.

Metro also announced a shake-up of its top management. Klaus Wiegandt, chairman, will leave to join the supervisory board of Divag, being replaced by Hans-Joachim Körber, already a Metro board member.

Under Mr Wiegandt, Metro embarked on an ambitious international expansion, spurred partly by the saturation and stagnation of the German market. Last year it took over the Makro cash-and-carry businesses of SHV, the Dutch group.

Metro is itself a product of consolidation within Germany. It was formed in 1996 when Metro merged with the Kaufhof and Asko retailing groups.

With revenues expected next year of more than DM80bn after the disposals, it lies ahead of Ahold of the Netherlands, France's Carrefour and both Tesco and J Sainsbury of the United Kingdom.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8851.62	(+27.80)
NASDAQ Composite	1856.27	(-5.84)
Europe and Far East		
CAC40	3560.23	(+15.49)
DAX	4639.69	(-77.81)
FTSE 100	5449.0	(-27.8)
Nikkei	14075.06	(-352.96)
US Lunchtime RATES		
Federal Funds	5¼%	
3-mth Treas Bills: Yld	4.48%	
Long Bond	99%	
Yield	5.26%	
OTHER RATES		
UK: 3-mo Interbank	6⅝%	(6⅞%)
UK: 10 yr Gilt	131.14	(130.54)
France: 10 yr OAT	133.65	(133.51)
Germany: 10 yr Bund	104.47	(104.31)
Japan: 10 yr JGB	108.56	(108.32)
NORTH SEA OIL (Argus)		
Brent Dated	$11.495	(11.43)

GOLD		
New York: Comex		
	$296.9	(293.7)
London:		
	$296.15	(293.25)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.66065	
DM	1.68845	
FFr	5.6493	
SFr	1.387	
Y	122.375	
London:		
£	1.653	(1.6612)
DM	1.6927	(1.6783)
FFr	5.6761	(5.627)
SFr	1.3949	(1.3848)
Y	123.67	(121.8)
Tokyo Close		Y 122.0
Sterling		
DM	2.7961	(2.788)

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WORLD NEWS
EUROPE

RECRUITMENT DRIVE PLANS TO HIRE SEVERAL HUNDRED STAFF

ECB acts to cope with rising workload

By Wolfgang Münchau, Economics Correspondent

The European Central Bank plans to hire several hundred new staff over the next few years to cope with an increasing workload and assert itself against the national central banks of the 11 countries participating in the single currency.

The plans come at a time when the ECB and national central banks are engaged in a highly visible power struggle over the share-out of responsibilities after next year's start of the euro, the single European currency.

The ECB started operations in June with a staff of just over 400. It aims to increase staff size to 570 by the end of the year. From next year onwards, it plans further aggressive expansion in the wake of allegations that there are not sufficient operations and functions in the ECB to cover all departments.

This is understood to affect all departments, including the economics department.

Added together, the 11 national central banks employ more than 60,000 people.

Under the rules governing economic and monetary union, the Frankfurt-based ECB and the 11 national central banks form a network known as the European System of Central Banks (ESCB). An increase in the ECB's staff level would require approval from its 17-member governing board, which includes the ECB's six executive directors and the 11 national central bank governors.

ECB staff have faced an intense workload in the last few months while struggling to meet the January 1 deadline for the technical preparations of the launch of the single currency. One senior official said: "Some people here carry the same workload as entire departments do in the national central banks."

Antonio Fazio, governor of the Bank of Italy, said in an interview this week that the national central banks should retain a high degree of autonomy.

He said the credibility of the ECB "derives from the credibility and strength of the national central banks themselves".

Those comments caused severe irritation among several top officials at the ECB, who fear an institutional power struggle could undermine both the efficiency of the new system and the general public's confidence in the euro.

Other officials at the national central banks also have emphasised the principle of subsidiarity, under which power is decentralised to a maximum degree. National central banks are particularly keen to retain full control over their share of securities repurchase operations and foreign exchange dealings.

Some monetary officials suspect the stance taken by some of the national central banks is part of a power struggle to protect second-tier European financial centres – such as Milan and Paris – against the City of London, Europe's largest financial centre, and Frankfurt, the home of the ECB and the Bundesbank.

POLITICAL CRISIS GOVERNMENT IN JEOPARDY AS VITAL COALITION PARTNER CUTS SUPPORT FOR MESUT YILMAZ

Turkish PM faces fresh censure vote

By Christopher de Bellaigue in Ankara

The Turkish government was in jeopardy yesterday after Deniz Baykal, whose Republican Peoples party holds a balance of power in the parliament, tabled a vote of censure – the third in two days.

By tabling the motion in response to corruption allegations against Mesut Yilmaz, prime minister, Mr Baykal signalled he was cutting his support for the 17-month-old government. Without Mr Baykal's votes, Mr Yilmaz could not survive a censure vote and would be forced to resign. At the same time, Mr Baykal positioned himself as a guiding hand behind an interim replacement.

Referring to the "inescapability" of a new government, Mr Baykal called for a government of "national consensus" to take Turkey to elections due early next year. On Wednesday, Turkey's two main opposition parties submitted motions of their own in the wake of allegations Mr Yilmaz influenced the tender for Turk Ticaret Bankasi, a recently-privatised bank.

Mr Baykal's motion, however, is decisive. Until now, his party has refused to topple the government. In his statement yesterday, Mr Baykal said he would contribute to "an environment of co-operation" aimed at creating a new one.

> It is the third censure motion and Yilmaz may have to resign

In the likely event Mr Yilmaz, who has refused to resign in the face of the corruption allegations, loses a censure motion, it would fall to President Suleyman Demirel to ask party leaders to come up with a new government. But Mr Baykal refused to be drawn on whether he thought the president should ask Recai Kutan, leader of Turkey's Islamist main opposition Virtue party, to try to form a government. "The president knows perfectly well what he has to do," he said.

Although Mr Demirel, who is on a state visit to Turkmenistan, has reminded Turks that any new government would have to win a confidence vote, it is considered unlikely he would ask Mr Kutan to cobble together a coalition from Turkey's finely-balanced chamber.

The last time Turkey was run by an Islamist-led government, in 1996-97, the country's military leadership was so alarmed by what it saw as a threat to Turkey's secular nature, that they engineered the government's downfall and replacement by Mr Yilmaz's weak coalition.

Since then, the constitutional court has shut down that government's main component, the Welfare party. Yesterday, Ankara's Islamist mayor was arrested for corruption, and Istanbul's Islamist mayor was stripped of his post. Earlier Mr Demirel told a leading Turkish newspaper a fresh Islamist-led government would drag Turkey into more 'chaos'.

Next Monday, a cross-party commission is expected to merge the three motions and set a date for their discussion in parliament. After that, all eyes will be on the president.

Dassault endorses transfer deal

By Robert Graham and David Owen in Paris

The shake-up in the French aerospace industry took a further step yesterday when the board of Dassault Aviation approved the transfer of the state's 46 per cent stake in the group to Aerospatiale.

In endorsing this transfer, there was a noticeable silence on any industrial relationship between Dassault and Aerospatiale, which is in the process of partial privatisation.

The future of this relationship holds the key to the success of the Jospin government's plans to reorganise the aerospace industry to compete in tough talks on a broader European alliance with British Aerospace and Germany's Dasa.

Yesterday's decision, to be ratified by shareholders on December 23, gives Aerospatiale a financial stake in Dassault, 49 per cent owned by the Dassault family through Dassault-Industries.

But Aerospatiale has acquired only a vaguely defined say in Dassault activities through equal board representation and a joint strategic committee.

Aerospatiale will have a say through its directors in the choice of chairman but they themselves are excluded from this post.

One novelty was that all future "important" board decisions will be taken by a two thirds majority.

Aerospatiale is also understood to have been given the "right to look" at Dassault operations.

Dassault makes both the highly successfully Falcon executive and the Mirage jet fighters plus the next generation Rafale.

Chairman Serge Dassault resisted attempts in 1996 by President Jacques Chirac to merge with Aerospatiale which holds the French interest in the Airbus consortium, while also producing helicopters, missiles and space launchers.

The Jospin government has sought to overcome Mr Dassault's resistance to any merger by a different approach.

As a first step in July, the government decided to privatise Aerospatiale giving the Lagardère group a 30-33 per cent stake by merging the latter's Matra defence interests.

Since then the government has threatened to use its effective majority through double voting rights on 30 per cent of the shares to force a broad deal with the 73-year-old Mr Dassault.

Last week the government agreed to drop the state's double voting rights acquired in 1978 in return for Mr Dassault's consent to the transfer of the 46 per cent stake to Aerospatiale and stronger state say in decision-making.

Broader agreement on industrial co-operation is thought unlikely until the government has finalised the price and timing for orders of 48 Rafale fighters.

The first operational fighter is due to be rolled out next month but the government is understood to be seeking to reduce the price per aircraft even though no export orders are in sight.

Yesterday the board also approved separation of Dassault Systemes, the computer-aided design company, from Dassault's aviation business.

Dassault Aviation currently owns 34 per cent of this quoted company. The tax status of this separation was the subject of intense negotiation with the finance ministry.

French welcome jobs created by Toyota plant

By David Owen in Onnaing

Just 24 hours after the solemnity of Armistice day, northern France had reason to celebrate yesterday with the groundbreaking ceremony at Toyota's new FFr4bn ($700m) greenfield car plant.

The factory, at Onnaing near Valenciennes, promises to revitalise an area with close to 20 per cent unemployment that has fallen on hard times since the decline of the local coal and steel industries.

It should also help the Japanese carmaker to hit its long-term target of a 5 per cent share of the European car market.

As such it will be viewed with mixed feelings by the big French carmakers, which are keenly aware of the current excess of European manufacturing capacity. One of these – Renault – not so long ago closed its factory at Vilvoorde in nearby Belgium.

There were no such scruples at yesterday's ceremony, held in a makeshift construction in the wind-swept field where the planned factory will soon start to take shape. This carefully combined aspects of the French and Japanese cultures and was attended by Hiroshi Okuda, Toyota's president.

One local mayor, Cécile Gallez, from nearby Saint-Saulve, a town of 11,000 inhabitants, observed simply that the number of jobless was so high that work was very important.

Another, Jean-Louis Borloo of Valenciennes, said that with unemployment of 19 per cent, his city was "like Manchester 30 years ago".

Having a bash: Toyota executives and French officials celebrate news of a new plant in France Reuters

Christian Pierret, France's business-minded industry minister, made reference to fears that Toyota's arrival might weaken the position of its French rivals only to brush them aside. "Nobody can believe any more that it is by artificially protecting an industry from competition that you defend it effectively," he said.

The factory, expected to start production in early 2001, should in time create about 2,000 direct jobs and perhaps 1,000 indirectly. It will produce the Yaris, a small one-litre car, and will have annual production capacity of 150,000 units.

It was typical of the Japanese company's work ethic that the sound of construction machinery was still evident even while yesterday's ceremony was in full swing.

German business balks at Schröder's 'poison'

The new Chancellor wants an 'alliance for jobs' but industrialists fear that tax reforms will force them to cut investment and reduce employment, writes Graham Bowley

They have called it "a slap in the face" for companies, a "poison" which will result in lost jobs.

Gerhard Schröder swept to power just seven weeks ago seeking consensus in his bid to get Germany back to work.

But the new chancellor's controversial plans for tax reform have enraged a part of society that will play a key role at the negotiating table: Germany's proud industrialists.

As the centrepiece of his economic policy, Mr Schröder wants business leaders and trade unions to join the government in special talks, termed "Alliance for Jobs," to work out how to cut Germany's record jobless lines. Even before negotiations have begun, industry is warning the new tax proposals mean companies will cut investment and jobs.

"These higher costs put a question mark over future investment projects," said Manfred Schneider, chairman of Bayer, one of Germany's biggest chemicals groups, this week.

At the root of industrialists' anger is a batch of changes which, put simply, will mean companies foot the bill for income tax cuts for middle and low-wage earners. The government wants to abolish a raft of company tax exemptions, subsidies and write-offs. That is expected to hit small and medium-sized businesses and banks and insurance companies especially hard, the government's slight watering down of the original, harsher proposals notwithstanding.

Most controversially, the new government wants to increase tax on oil and other forms of energy.

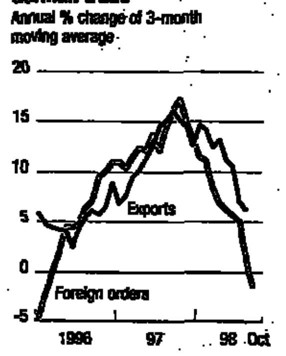
This will hit households and, along with the decision to phase out Germany's nuclear power plants, could inflate industry's fuel costs astronomically. It also wants to extend social security contributions to part-time jobs, which would punish retailers. "The changes to the tax system are anything but industry-friendly," said Jürgen Strube, chairman of BASF, another big German chemicals group.

Hans-Olaf Henkel, president of the German industry federation, described the plans as "shocking".

On a more positive note for industry, the government proposes a gradual reduction in corporate taxes, while the higher energy charges will finance a much-needed reduction in companies' social security contributions. But these bonuses are expected to be heavily outweighed by the extra costs. Deutsche Bank economists estimate industry will face an added burden of around DM5bn ($2.9bn) next year, DM9bn in 2000 and as much as DM10bn in 2002.

This comes at a bad time for the economy. Over the past three years, corporate Germany has been thriving: it has restructured aggressively, cut costs and raised productivity. Since the end of 1993, productivity has risen by around a third, while unit labour costs have fallen by about 15 per cent, according to HSBC, the British bank. In addition, exports have boomed and corporate profits have soared. But now the D-Mark is strengthening, foreign markets, especially in Asia, have cooled, and Germany's export machine is stuttering. Business is getting worried. In addition, there have been recent calls for big wage increases. IG Metall, the country's biggest union, said it wants workers to share in companies' profits and has demanded a 6.5 per cent pay rise for more than 3m engineering employers next year.

It is against this background that companies are being asked to pay higher tax bills.



Many economists believe business will react by cutting investment. According to a survey of 700 companies by the Munich-based IFO research institute, 30 per cent said they wanted to reduce investment and cut jobs.

Few forecasters now expect unemployment to fall significantly from its current 4m next year.

"Not one single investor will want to make additional investments here," warned Roland Berger, a prominent management consultant. The government's programme means "more state, less market," he warned in the magazine Der Spiegel.

One crucial issue is the impact on investment in Germany by foreign companies. This slowed to a trickle in recent years and has been heavily outweighed by German companies' own investment in cheaper, faster-growing markets abroad. Only now is foreign investment in Germany beginning to recover, and the fear is that the extra taxes added to the highest labour costs in the world could stem the flow again.

There are optimists. They believe the income tax cuts and higher wages could stimulate demand and so boost jobs.

Oskar Lafontaine, the new finance minister, shares this philosophy of demand-management, and has set about bullying the Bundesbank to stop it increasing interest rates.

But whatever the short-term stimulus, he and his chancellor cannot not forget the lessons of the recent past. Germany's industrialists cut jobs vigorously when they last came under pressure in the early 1990s. Mr Schröder should not rule out the same happening again.

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NEWS DIGEST

SWEDISH ECONOMY

Tame inflation outlook prompts interest rate cut

A tame inflation outlook yesterday prompted the Riksbank, Sweden's central bank, to lower its interest rate corridor by 0.5 percentage points – the first such reduction in two years.

The cut, effective from November 18, brings the deposit rate to 3.25 per cent and the lending rate to 4.75 per cent. Economists said the move would clear the way for additional cuts to the Riksbank's key interest rate, the repo rate.

The central bank justified the move by saying inflation would be below its targeted 2 per cent annual rate in 24 months. Urban Backstrom, Riksbank governor, declined to comment further ahead of a meeting today with the Standing Committee on Finance. Clare MacCarthy

ESTONIA FERRY DISASTER

Call to recover bodies

The Swedish government yesterday came under pressure to approve the recovery of bodies from the wreck of the Estonia, the ferry which sank in the Baltic Sea in 1994 with the loss of 852 lives.

An independent, government-commissioned report said many victims' relatives had been unable to come to terms with their loss in the absence of efforts to retrieve bodies from the vessel.

However, the report specifically recommended against raising the ship and said the wreck should not be entombed in concrete, as the Swedish government had at one time proposed.

Relatives of the victims are divided over whether to proceed with a recovery attempt, likely to be a gruesome and technically difficult task. Mona Sahlin, a cabinet minister, said the government would decide whether to adopt the report's recommendations in the first two months of next year. Greg McIvor, Stockholm

UKRAINIAN FOREIGN POLICY

Kuchma still looks west

Leonid Kuchma, Ukraine's president, yesterday reaffirmed his country's commitment to joining Europe, in an apparent rebuff to nationalists in Russia who have called for union with Ukraine.

"Ukraine will overcome all obstacles on the way to Europe," said Mr Kuchma, speaking on Polish national television yesterday, the 80th anniversary of Poland's independence. "We are travelling in the channel of processes, happening in central Europe, reforming the national economy and doing our share to ensure stability and security in the region and the continent as a whole."

Ukrainian officials have taken to calling their border with Hungary and Poland – who are on the European Union fast track for membership – a new "iron curtain". Hungary and Poland will soon implement an EU visa regime for Ukrainian citizens. Charles Clover, Kiev

MADRID ATTACK

Explosion damages job centre

An explosion tore through a job placement office in Madrid yesterday, damaging the building and three cars outside.

Nobody was injured and no one immediately claimed responsibility for the attack, which took place early in the morning, police said.

But it was similar to previous bombings at job placement offices in Madrid and other Spanish cites. The Marxist guerrilla group Grapo has claimed responsibility for several of the previous attacks.

Grapo, which stands for October First Anti-Fascist Resistance Group, was active mainly in the early years of Spain's transition to democracy in the late 1970s, after nearly four decades of dictatorship under General Francisco Franco. Reuters, Madrid

GERMAN FINANCES TAX REVENUES TO RISE

Lafontaine sticks with gloomy view

By Ralph Atkins in Bonn

Oskar Lafontaine, Germany's finance minister, said yesterday that official estimates pointing to a pick-up in tax revenues gave "no reason to alter his gloomy assessment of the financial situation inherited by the new Social Democrat-led government.

The finance ministry's special commission on tax experts forecast that tax income accruing to Germany's federal, state and local authorities and to the European Union would total DM828.1bn ($494bn) this year – 3.9 per cent higher than in 1997.

The latest projection compares with a May forecast of DM820.5bn for 1998. The upgrade since May largely reflects improvements at local authority level.

For 1999, the commission expected tax incomes totalling DM866.4bn – a 4.6 per cent increase on this year, but slightly below the DM867.8bn forecast in May for 1999.

The rise suggests tax revenues are responding well to Germany's economic recovery. Tax income fell by 0.4 per cent to DM797.2bn in 1997. However, Mr Lafontaine said the figures were "no occasion to sound the all clear".

This year's increase was attributable largely to one-off effects, including payments by companies of tax arrears from previous years.

The impact on tax revenues of international economic turmoil would become more noticeable from 2000. But 1999's figures already showed some effect and also reflected past neglect of domestic demand in Germany.

The latest estimates will form the basis for a revised 1999 budget, due to be presented to the cabinet at the end of January.

Mr Lafontaine said a preliminary financial audit by the incoming government showed an additional DM10bn of commitments would have to be taken account of next year.

Separately, Werner Müller, economics minister, said the government's planned tax reforms – not taken into account in yesterday's estimates – would help attract new foreign investment into the country. Taxes on companies would be capped at 35 per cent.

He pledged the government would proceed "prudentially" in its plans for higher energy taxes to fund cuts in social security contributions paid by employees and employers. Mr Müller would ensure business was not put at a competitive disadvantage to other countries.

Scramble for assets expected

Chicago bus backing for

Doubts over Br water privatisat

EUROPE

RUSSIAN DEBT MORATORIUM EXPIRY WORRIES

Scramble for assets expected

By Jeremy Grant in London and John Thornhill in Moscow

After Russia's debt moratorium expires tomorrow there could be an unseemly scramble for what is left of Russia's dwindling banking assets – with some of the world's leading banks leading the charge.

The 90-day moratorium, which barred most Russian commercial entities from paying foreign debts, was imposed on August 17 as part of a package of emergency measures to stave off economic collapse.

The simultaneous devaluation of the rouble and default on the domestic debt (GKO) market rendered much of the Russian banking system insolvent overnight. For foreign banks, the effect was an immediate drying up of payments they were owed under forward foreign exchange contracts, worth up to $7bn. They had bought these from Russian banks as a way of protecting their investments in the country's treasury bill (GKO) market against a rouble depreciation.

With the likelihood increasing that some foreign banks will sue their Russian counterparts for repayment, one western banker in Moscow said this threatened scores of Russian banks with bankruptcy. "We are going to be in a whole new world after the lifting of the moratorium. The big [Russian] banks which got involved in the forwards and GKO markets are just going to get slaughtered," he said.

Creditors, nevertheless, suspect that some Russian banks have used the 90-day grace period to strip their banks of any remaining assets by making soft loans to related companies or transferring money overseas.

This has encouraged some foreign banks in the belief they will be able to recover some of their debts. Others less hopeful are nonetheless keen to reinforce a point of principle. "It could be one of the few, rare cases where Russian banks will have to take responsibility for their actions," the banker said.

If that does not work, some foreign banks may try to convince the courts that the government is responsible for the debt, because it imposed the moratorium in the first place. But the entire process suffers from a lack of legal precedents. "It's going to be a protracted process that's going to have to be solved on a case by case basis," said Marcel Cassard, chief European emerging market economist at Deutsche Bank.

Indeed, some foreign law firms have questioned the entire legality of the moratorium, given that the only documentation justifying its imposition was contained in a press release.

Some affected Russian banks have already begun talks with foreign creditors. Yesterday, Oneximbank, one of Russia's most influential commercial banks with a big exposure to dollar forward contracts, said it had formed a creditor committee in London to discuss ways of restructuring its obligations.

Vladimir Ryskin, deputy chairman, said: "We want to ensure our bank services and continue to work."

● Russia formally requested nearly $500m in food aid yesterday from the European Union, Andrew Jack reports from Moscow. Gennady Kulik, deputy prime minister for agriculture, said he planned to sign a demand last night for assistance from Brussels after unveiling official estimates showing the extent of this year's disappointing harvest. A further $900m in food aid has been agreed with the US.

Kuriles accord edges closer

By Andrew Jack and Arkady Ostrovsky in Moscow

Russia and Japan yesterday took a significant step towards resolving the territorial conflict that has bedevilled their relations since the second world war.

In his first official engagement for two weeks, Boris Yeltsin, Russian president, held talks in Moscow with Keizo Obuchi, Japanese prime minister. Mr Yeltsin presented proposals, kept secret, to end the dispute over four Pacific Ocean islands, which are called the Southern Kuriles in Russia and the Northern Territories in Japan.

Mr Yeltsin appeared in relatively good health for the talks after a convalescence that followed renewed concerns about the poor state of his condition. In a sign of confidence about his fitness, he suggested he would attend a new summit with Japan in early 1999.

However, he unexpectedly cancelled his attendance at a banquet yesterday evening in honour of the Japanese premier, returning instead to his country house outside Moscow and sending Yevgeny Primakov, prime minister, in his place.

The dispute over the four islands, seized by Soviet forces at the end of the second world war, has prevented Russia and Japan from signing a formal peace treaty to end hostilities. Mr Yeltsin proposed the creation of a committee to consider the border between the two countries and jointly manage the economies of the islands.

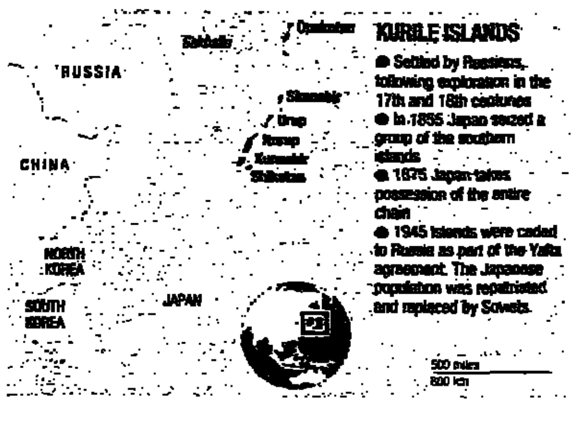
Keizo Obuchi at a ceremony at the tomb of the Unknown Soldier in Moscow yesterday Reuters

Diplomatic sources indicated Moscow would retain temporary administration while the Japanese border would be re-drawn further north to establish its long-term sovereignty.

"Today's meeting and negotiations turned a significant page of history. We are very satisfied," said Muneo Suzuki, the Japanese deputy cabinet secretary. "President Yeltsin is very keen to speed up the process towards a peace treaty. The intention is to reach a resolution on the border issue by the year 2000." Mr Yeltsin's term ends in 2000.

Japan has in the past insisted it could make no territorial concessions, and regional Russian leaders have been equally intransigent.

However, relations have begun to thaw. Japan has offered humanitarian and industrial assistance.



Separately, Mr Yeltsin yesterday reacted strongly to anti-semitic remarks made recently by Albert Makashov, the ultra-nationalist Communist deputy. Mr Yeltsin asked the Federal security service (FSB), the successor to the KGB, and the interior ministry "to take immediate and decisive measures to prevent nationalistic and political extremism, which has been spreading in recent days."

The lower house of parliament failed to condemn Mr Makashov, who had referred to Jews as "blood-suckers" and "Yids", and who later called for special quotas for Jews in government.

Centre-right parties plan image revamp

By David White in Madrid

Helmut Kohl, for decades the world heavyweight champion of centre-right politics, has been out of power for just a few weeks, but already the international movement of Christian Democrats is looking for a change of identity.

About 100 political parties, at a meeting starting in Madrid today, will discuss whether to ditch the title of Christian Democrat International (CDI).

Instead, they may now call themselves Popular International, in the image of the Spanish host party, which has the rare distinction among those attending of being in government.

Mr Kohl's election defeat in September has instantly raised the profile of José María Aznar, the Spanish prime minister, a man the former German chancellor always used to dwarf when they appeared together.

"The one that is now the key personality in the family is Aznar," says Marcelo Rebelo de Sousa, leader of Portugal's misleadingly named Social Democrat party, which was ousted from power by the Socialists three years ago.

Apart from Mr Aznar, CDI member parties now have only two representatives heading European Union governments – Belgium's Jean-Luc Dehaene and Luxembourg's Jean-Claude Juncker.

Mr Aznar is trying to create a more centrist image for his own Popular party and for the international grouping it belongs to, made up mostly of European and Latin American parties. Dropping the religious tag might help, although some members want to retain it.

The CDI says the movement's name is explained by "the historical and political context in which it was born" in the early 1960s, but does not have any restrictive religious connotation.

Spanish influence is set to be reinforced by the promotion of Javier Rupérez, a Popular party parliamentarian and CDI secretary-general, to the presidency of the organisation, replacing Panama's Ricardo Arias Calderón.

A renamed movement may emerge at the end of the conference on Sunday. Mr Aznar plans to attend, along with as many government leaders as the organisation can muster.

Serbs in tit-for-tat kidnap of Albanians

By Guy Dinmore in Leposavic, Kosovo

Serb civilians in Kosovo were last night holding hostage a group of ethnic Albanians in retaliation for the abduction of two Serb villagers by separatist rebels.

Diplomats feared the tit-for-tat abductions and willingness of the Serb minority to take action were further evidence of the deteriorating security situation in the province.

Unarmed diplomatic observers from Finland and Germany were trying to negotiate the release of seven Albanians, who were taken off a bus on Wednesday night near the village of Josanica in northern Kosovo.

Teuvo Tikkanen, a Finnish observer for the European Union, said the rebel Kosovo Liberation Army (KLA) had earlier allowed them to see the two captive Serbs, who appeared in good health.

Serbian police guarded the approach road to Josanica village where the Albanians were being held. There was confusion over how many had been taken prisoner. Albanian human rights activists said about 100 people had been seized in various incidents but many had been released. This could not be confirmed independently.

The two Serbs abducted by the pro-independence KLA in central Kosovo on Tuesday came from Josanica. Civilians from the nearby mining town of Leposavic said relatives of the two men had kidnapped the Albanians to force a prisoner exchange.

"The KLA are destroying everything. We have to take action ourselves," said one Serb from Leposavic.

Political leaders of Kosovo's dwindling Serb minority have accused Slobodan Milosevic, the Yugoslav president, of betraying them by agreeing last month to a substantial withdrawal of security forces and to enter negotiations that would restore autonomy to the province.

US mediator Chris Hill, attempting to convert a shaky ceasefire into a lasting political settlement, yesterday met two representatives of the Kosovo Serb minority, Bishop Artemije and Momcilo Trakjovic. Both have become bitter opponents of Mr Milosevic.

Mr Hill said he was making progress with his peace plan but an agreement was a long way off. While talks drag on, Serbian police are moving back into the rebel heartland of central Kosovo while the KLA is regrouping. Clashes are reported daily.

British observers in 10 orange-painted armoured Land Rovers arrived yesterday to join an international verification mission led by the Organisation for Security and Co-operation in Europe. They join approximately 200 diplomatic observers now in the province, but the full complement of 2000 unarmed OSCE observers may not be in place for several months.

THE AMERICAS

Chicago business backing for O'Hare

By Nikki Tait in Chicago

Much of Chicago's business community yesterday supported a proposal to keep O'Hare Airport – the country's busiest – as the focal facility for international and national traffic rather than build an airport to the south of the city.

A study for the Chicagoland Chamber of Commerce by the Booz Allen consulting firm claimed the existing airport facilities could be strengthened and managed more efficiently, particularly if "non-scheduled operations", such as military or air taxi traffic, were moved. This could lift passenger capacity by 65-70 per cent over 15-20 years, although the study conceded that additional runway capacity would be needed "some time in the next 20 years".

Any artificial constraints on O'Hare, coupled with the development of a third airport at Peotone to the south of Chicago, could cost the greater metropolitan area "some $8bn to $10bn per year in lost economic output by 2015".

The contentious issue of how to develop aviation services in the central Midwest region has pitted the Democrat-controlled city of Chicago against the Republican state lawmakers, and left passengers frustrated by mounting congestion.

O'Hare handles about 70m passengers a year but airports such as Atlanta and Dallas have sought to capitalise on the constraints faced by O'Hare. Traffic at Atlanta, for example, increased 7.7 per cent last year to 68.2m passengers.

Matters came to a head this summer when two Illinois senators blocked a Federal Aviation Administration agreement that would have added 100 flights out of O'Hare, citing environmental and safety issues. A subsequent compromise proposal for 30 new flights was rebuffed.

Part of the problem is political. Advocates of a third airport, in addition to O'Hare and the smaller Midway airport, generally favour building this to the south of Chicago and outside the city limits, meaning tax revenues would be diverted from city coffers. Residents near O'Hare claim that any further expansion there would increase noise and pollution.

Yesterday, the business community warned that continued debate could cost the Chicago economy dearly: "We are in a race with other cities and regions to become the premier aviation hub of North America. Officials from Dallas and Atlanta have already stated their goal to pass Chicago," said Ron Gidwitz, chairman of the newly-formed Midwest Aviation Coalition, which will lobby for O'Hare's expansion.

Doubts over Brazilian water privatisation

By Geoff Dyer in São Paulo and Samer Iskander in Paris

The privatisation of the Rio de Janeiro water company, which was expected to raise at least $4bn, has been thrown into doubt by a mounting political battle between the governor of the Brazilian state and his recently elected successor.

Marcello Alencar, the sitting governor from the centre-left Social Democrats (PSDB), has insisted he will go ahead by the end of the year with the auction of Cedae, the state water company.

However, the privatisation is strongly opposed by Anthony Garotinho, from the leftwing Democratic Labour party (PDT), who won last month's election for governor and who takes office on January 1.

As well as questioning who has executive control in the transition period after elections, the rapidly escalating dispute is evidence that the swing to the left in last month's gubernatorial elections could have a negative impact on Brazil's huge privatisation programme.

The stakes in the confrontation were raised on Wednesday when the Rio state legislature voted nearly unanimously to withdraw the sale of Cedae from the state's privatisation programme.

Sergio Cabral Filho, president of the state legislature and a member of the same party as Mr Alençar, said it would be undemocratic to go ahead with the sale following the result of the election. Mr Alencar said yesterday that he would veto the decision by the legislature.

The Rio finance ministry said a new tender document for the privatisation would be released today, following a dispute over details in the first document, and that the minimum price would be maintained at R$4.88bn (US$4.13bn).

Two French utilities, Suez Lyonnaise des Eaux and Vivendi, announced in September that they would bid together for Cedae. It is understood they are waiting to see the attitude of the new government before deciding whether to go ahead.

Mr Garotinho is not the only governor-elect to oppose sales by the previous administration. Itamar Franco, who won the election in Minas Gerais state, will try to overturn the sale last year of a stake in Cemig, the state power company, to Southern Electric of the US.

Intel testimony 'a blip on the screen of our relationship'

But McGeady evidence hurts Microsoft because it comes from a partner, not a rival, report Richard Wolffe and Louise Kehoe

The latest witness to take the stand in the Microsoft monopoly trial has changed the complexion of the courtroom battle between the US government and the world's largest software company.

Intel, the world's largest chipmaker, says officially that it is taking a "neutral" stance in court, supporting neither side in the landmark antitrust lawsuit.

But the testimony of one of its executives this week has proved anything but neutral. Steven McGeady, vice-president of internet technologies, has levelled accusations that Microsoft abused its market power to intimidate Intel itself. He further claims that Microsoft told him of its plans to "extinguish" its main internet rival, Netscape Communications, the company at the heart of the case.

The real impact of Intel's evidence comes from the company's status as Microsoft's central partner in the personal computer industry. Previous witnesses in the trial – including Netscape and Apple Computer – have been tainted by their historic rivalry towards the software giant.

But Intel has worked so closely with Microsoft in the development of new software and microprocessors that its evidence cannot be dismissed so easily. Mr McGeady testified that Microsoft viewed Netscape as "a common enemy" of both companies, because its internet software threatened to undermine personal computers using Microsoft software running on Intel's chips.

Microsoft's response to Intel's evidence has been unusual, reflecting the awkward and potentially damaging nature of Mr McGeady's evidence.

There is even speculation that the company may call Andy Grove, Intel's chairman, to give what might prove to be an alternative perspective on the relationship between the two companies.

But in court, instead of undermining the company's track record – as it has with previous witnesses – Microsoft has sought to attack Mr McGeady himself. Steven Holley, Microsoft's lawyer, presented evidence in court yesterday that Mr McGeady was viewed within Intel as "a prima donna" who was consistently "belligerent" towards Microsoft.

According to Microsoft, Mr McGeady is a "rogue" employee of Intel, who felt disgruntled when his division was restructured in 1995. It has at least wounded his reputation by revealing he leaked an internal memo about Microsoft – entitled "Sympathy with the Devil" – to the New York Times.

In spite of Microsoft's best efforts, Mr McGeady is unflappable in the witness box. He has doggedly stuck to his central allegation that Microsoft felt threatened by Intel's work on internet-related software, and sought to close down its software operations. Earlier this week the government presented an internal e-mail from Bill Gates, the chief executive and founder of Microsoft, explaining how in July 1995 he told Mr Grove: "One point [I] kept pushing to Andy is that we are the software company here and we will not have any kind of equal relationship with Intel on software."

Microsoft does not deny its attack on Intel's software engineers. Instead it claims their work was of low quality, and conflicted with its own development of Windows 95, at the time the latest version of the operating software which drives more than 90 per cent of the world's personal computers.

Intel's evidence about the clash between Microsoft and Netscape is potentially far more damaging to Microsoft's case. Mr McGeady was present at a November 1995 meeting in which he testified that Microsoft executives said they planned to "cut off Netscape's air supply" by using its market muscle to close down its distribution channels.

According to Mr McGeady, Microsoft's plan was to "embrace, extend and extinguish" its internet software rival. "They would embrace internet standards, extend them in incompatible ways that others could not follow and extinguish the competition," Mr McGeady said. In spite of such evidence, Microsoft insists the trial is not harming its close relationship with Intel at all.

Intel and Microsoft have been partners since the launch of the first personal computer by International Business Machines almost 20 years ago. So close are their ties they are often referred to collectively as "Wintel" – Windows plus Intel.

However, it is no secret in high technology circles that relations between top executives of the two industry giants are often stormy – more like a clash of titans than a cosy partnership.

Each company needs the other, yet neither wants to be dependent. Partly to ensure they maintain leverage over each other, both Intel and Microsoft collaborate with each other's competitors.

Thus Microsoft, for example, has developed software to run on microprocessors developed by Motorola and by Digital Equipment, now a part of Compaq Computer. Similarly, Intel has recently played a leading role in efforts to encourage development of Unix, an alternative to Microsoft's Windows.

Mark Murray of Microsoft said: "Microsoft and Intel have a very strong relationship. We have disagreed about issues in the past but we have kept our focus to advance the personal computer as the most powerful and democratic product in the history of commerce. This is a blip on the screen of our relationship."

US companies 'likely to see profits fall'

By Gerard Baker in Washington

US companies face a profits recession in the next year, as rising wages combine with a slowdown in demand to squeeze corporate margins, a leading group of business economists said yesterday.

The National Association for Business Economics, in its latest estimate of US economic prospects, said post-tax corporate profits would decline by 1 per cent this year, and manage only a 1 per cent increase next year. In 1997 profits increased by 7.5 per cent, and just six months ago the economists' group was forecasting profits growth of 3 per cent for both 1998 and 1999.

But the NABE forecast, based on a survey of economists at leading companies, did not suggest a broader recession was in the offing for the US economy. Overall growth this year is expected to be around 3.6 per cent, slowing next year to 2.1 per cent, still only slightly below the economy's long-term trend rate. In spite of the turmoil in financial markets in the last few months, the NABE growth forecast for next year is only fractionally lower than its economists were expecting in May.

"What we have here is a profits recession in an economy that's still growing – a highly unusual set of circumstances," said Joel Prakken, the NABE president and chairman of Macroeconomic Advisers, an economic consulting group.

Mr Prakken pointed out that the association's forecast for profits was well below expectations on Wall Street. In recent surveys of financial analysts, profits were forecast to grow next year by 15-25 per cent. The possibility of adverse earnings surprises for investors was considerable, he said.

Wage growth is expected to maintain its current strong momentum of around 4 per cent this year, while productivity is forecast to slow sharply from this year's expected 1.8 per cent growth to 1.3 per cent in 1999. Slowing productivity growth will reflect the broader slowdown in output, and will lead to a significant increase in unit labour costs for employers.

The combination will put upward pressure on prices, the NABE said, with the consumer price index rising by 2.2 per cent next year against 1.6 per cent this year. But in an environment of weakening consumer demand, price increases alone will not absorb the increase in labour costs and corporate profits will suffer as a result.

NABE economists believe short-term interest rates are at or near their low point in the current cycle, according to Mr Prakken.

The Federal Reserve has cut its federal funds rate twice in the last two months to 5 per cent in response to the international turmoil, and most of the economists thought a further small cut was possible. Unemployment was expected to rise a little from the current rate of 4.6 per cent to 4.8 per cent in 1999.

Most economists have grown markedly more optimistic about US growth prospects in the past month in response to an apparent stabilisation of conditions in world markets, progress on fiscal and financial reform in a number of countries, and cuts in short-term interest rates, the NABE said.

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On the web today

● Chicago to move against gun sales ● British Columbia tackles tobacco groups ● Colombian rebels battle ● Caribbean islands want to go solo

http://www.ft.com/americas

Iraq 'can still make banned weapons'

By Alexander Nicoll, Defence Correspondent, in London

Iraq is hiding chemical and biological weapons and may still be concealing Scud missiles, the UK Ministry of Defence said yesterday.

It produced a paper summarising the achievements of Unscom weapons inspectors but detailing the continuing threats from weapons of mass destruction which, in the UN's view, make monitoring essential. The move is seen as part of building a case against Saddam Hussein in preparation for possible air strikes.

Iraq's decision to suspend co-operation with UN inspectors triggered the present crisis.

The MoD said Iraq almost certainly retained production equipment and stocks of agents and weapons for biological warfare, and "has the expertise and equipment to regenerate an offensive biological weapons' capability within weeks".

Chemical weapons agents and munitions remained hidden, and the chemical industry "could produce mustard gas almost immediately, and limited amounts of nerve agent within months."

Scud missiles dating from before the Gulf war in 1991 could be hidden and quickly available, and work may have begun on a 650km range missile which could be built in a year and fitted with crude biological and chemical warheads, the MoD said.

Iraq could design a nuclear weapon now and, if it could buy machinery and materials from abroad, could build an air-delivered nuclear device within five years.

The MoD said the Iraqi president was diverting "huge sums of money which could otherwise help his people into his illicit weapons of mass destruction programmes".

Since 1991, it said, Unscom had destroyed or made harmless 48 Scud missiles, 40,000 chemical munitions, 690 tonnes of chemical weapon agents, 3,000 tonnes of precursor chemicals, and factories and equipment linked to biological warfare.

The International Atomic Energy Agency had discovered and dismantled a nuclear weapons programme "far more advanced than suspected".

Unscom had not discovered or accounted for all of Iraq's lethal arsenal because of Mr Saddam's "deliberate policy if concealment and obstruction," the MoD said.

"He has under-reported his materials and weapons at every stage, and used an increasingly sophisticated concealment and deception system." This system used his own Special Security Organisation and the elite Republican Guard troops.

Materials for weapons of mass destruction were concealed in private houses and farms, and were blatantly driven out of sites while UN inspectors were delayed at entrances, the MoD said.

Iraq had failed to account for substantial amounts of growth media for anthrax, and had "clearly understated" production of anthrax and aflatoxin. Unscom destroyed the Al Hakam biological weapons factory in 1996 although Mr Saddam had denied until 1995 that he had such a programme.

Recent US and French tests had shown traces of nerve gas on missile warheads, and tests in the US, France and Switzerland had revealed evidence of efforts to decontaminate warheads. This conflicted with Iraq's claims that it had never filled warheads with chemical agents including VX, the MoD said.

GLOBAL ENVIRONMENT WASHINGTON SIGNS KYOTO PROTOCOL ON GLOBAL WARMING

US raises hope of greenhouse gas breakthrough

By Vanessa Houlder in Buenos Aires

The US yesterday signed the Kyoto protocol limiting greenhouse gas emissions, raising hopes of a breakthrough in international efforts to combat global warming.

The US move came at a United Nations conference on climate change in Buenos Aires, where delegates are seeking to overcome deadlock over details of the accord agreed at the Kyoto climate summit.

However, President Bill Clinton has said he will not submit the protocol to the US Senate for ratification until there are meaningful commitments by key developing countries to restrict emissions.

Stuart Eizenstat, US undersecretary of state, who is heading the US delegation, repeated calls yesterday for participation by developing countries and for the rejection of arbitrary limits on the use of "flexible mechanisms", such as the trading of emission credits gained when countries exceed their reduction quotas.

The EU and many developing countries are strongly opposed to the US position. John Gummer, the UK's former environment minister who is part of the UK delegation in Buenos Aires, described the US position as "intolerable" and "offensive" to developing countries, because it reflected the US desire to buy its way out of its problems, rather than take action at home.

The Global Climate Coalition, a US industrial lobbying group, said that by signing the Kyoto protocol "the Clinton Administration broke faith with American working men and women and ignored the unanimous concerns of the United States Senate about the agreement".

So far, 59 other countries have signed and two have ratified the Kyoto protocol, which is a legally-binding agreement by industrialised countries to limit greenhouse gas emissions by 2010. The UN meeting under way in Buenos Aires is discussing details of the protocol, which is likely to take several more years to complete.

John Prescott, UK deputy prime minister, said he was hopeful the Buenos Aires summit would achieve its goal of drawing up a plan to agree on the design of flexible mechanisms at a future date. "It appears that the logjam has been broken. There is now real dialogue," he said.

He said the US decision to sign the Kyoto protocol was a good step forward which "indicates a climate of change in America even amongst industrialised groups".

Ritt Bjerregaard: intent on speaking home truths

CLIMATE CHANGE SUMMIT EU COMMISSIONER SAYS RICH WORLD HAS PRIORITIES WRONG

'West must clean up own act'

By Vanessa Houlder

Ritt Bjerregaard, the European commissioner for the environment, is in combative mood. Despite being in pain from a broken pelvis, she has come to the UN summit on climate change in Buenos Aires intent on speaking some home truths. She thinks the developed world is in danger of getting its priorities wrong. It should clean up its own act, before searching for ways to ease its own obligations by stimulating emission cuts elsewhere.

Her views have put her on a collision course with the US. "We are not afraid of conflict," she says. "There are areas where we and the Americans have divergent opinions."

The participation of developing countries in reducing emissions is particularly controversial, as the US will not ratify the Kyoto treaty without it. Mrs Bjerregaard, however, thinks that the developing countries are right to insist on action by richer countries.

She is worried that not enough attention is being paid to the attitudes of the G77 group of developing countries during these negotiations, which may make it harder to bring them on board at a later date. "I would desperately like to see G77 have more part in the process," she says.

Another controversial issue concerns the so-called "flexible mechanisms", such as the trading of emission credits between countries. The EU and the US are at loggerheads over the question of whether there should be any limits on the use of these mechanisms. The EU thinks their use should be restricted for fear of giving industrialised countries an excuse to neglect their obligations to make cuts at home. But the US insists that imposing limits would dramatically increase the costs of curbing greenhouse gas emissions.

Mrs Bjerregaard says she is not opposed to flexible mechanisms, such as emissions trading, in principle. But she warns that excessive use of emissions trading could compromise domestic action in industrialised countries. That, she says, should lead to "an environmental catastrophe".

The EU is clearly anxious to be seen to take a lead in taking genuine steps to combat climate change. Mrs Bjerregaard is optimistic that this can be done without inflicting too much pa[in] on business and consumers. Recent studies had shown that emission reductions i[n] the EU twice as large as fore[seen] in the Kyoto Protoco[l] could be done for a fractio[n] of 1 per cent of gross dome[s]tic product, she said.

The issue of how to mak[e] greenhouse gas cuts at hom[e] can sometimes get lost i[n] the tortuous negotiatio[ns] under way in Buenos Aire[s], which have focused on agreeing a workplan for resolving the "unfinished business" of the Kyoto protocol.

Nonetheless, Mrs Bjerregaard is adamant that the conference should be more ambitious in its goals.

Unless it reaches agreement on some of the re[al] issues being discussed it wi[ll] not, in her view, have been a success.

Technique to grow human tissue using cow's egg

By Victoria Griffith in Boston

US scientists have developed a technique to clone human tissue for transplant by injecting human DNA into a cow's egg cell.

The technique would make it possible for patients needing a transplant of any tissue – heart, liver, or kidney, for example – to "grow" their own replacement. The risk of rejection by the patient would be negligible, say researchers, because the tissue would contain the patient's own DNA.

The tissue cloning development comes a week after scientists at Johns Hopkins University and the University of Wisconsin announced a breakthrough in cultivating embryonic human cell to grow into tissue. That technique is controversial since researchers used cells from aborted and in-vitro human embryos. The latest technology, developed by the biotechnology group Advanced Cell Technology (ACT) in Worcester, Massachusetts, would take cells from human adults.

"Every cell in the body contains DNA that has the full potential to create any other type of cell in the body," says Michael West, chief executive of ACT. "The ability to make a liver cell is tucked away in the skin cell; it's just repressed.

"By injecting the DNA into the cow egg cell – and we're not sure exactly how this works – the human cell is taken back to the beginning of life and regains the ability to make all tissues."

Every year, thousands of people die in the US and Europe while waiting for tissue for transplant. Others die when their bodies reject the transplanted organ.

The technology could, presumably, be used to clone humans, although the company says it has no intention of doing so. ACT attracted attention earlier this year when it created the first cloned transgenic cows.

"We'd like the National Bioethics Committee [a group of scientists formed by President Clinton to advise him on cloning activities] to take a look at this before we go any further," said Mr West. "We're not mixing species here. If you use DNA from a cow, you'll get nothing but a cow, and the same for humans."

Former Kazakh PM defiant ahead of election

By Anthony Robinson in Moscow

The dream of Nursultan Nazarbayev, Kazakh president and former communist party boss, of another overwhelming presidential election victory to keep his family in power for another seven years is facing a stiff challenge.

It comes from the man who knows the autocratic president best – Akezhan Kashegeldin, the former prime minister. He has spent the last two weeks in Washington, Warsaw and Moscow accusing the president of running a corrupt, nepotistic regime and trampling on the democratic and human rights of the 17m people in the oil and resource-rich central Asian country which stretches from the Caspian sea to China.

Mr Nazarbayev has brought forward presidential elections, which were to have been held early next century, to January 10, giving opposition forces little time to organise.

Mr Kashegeldin is, at first sight, an unlikely scourge. Reputed to have made a personal fortune from business and trading in the early years of Kazakh independence, he flew into Moscow this week backed by a flock of expensive international lawyers and US public relations men.

A formal US State Department protest against the Kazakh electoral commission's recent decision to disqualify him as a presidential candidate, and critical editorials in the New York Times and Washington Post newspapers, are testimony to his and his PR advisers' influence.

In Moscow, government security forces protected Mr Kashegeldin after threats forced him to postpone the trip last week. In Warsaw, the Organisation for Security and Co-operation in Europe promised to monitor an election which Mr Kashegeldin argues will be a farce without his participation, and which he has called on the Kazakh Supreme Court to annul.

Mr Kashegeldin has powerful supporters in his bid to challenge the man who led Kazakhstan to independence in 1991 and opened it up to foreign investors while cultivating close ties with Moscow. These include western politicians concerned by the president's increasingly autocratic ways, and business groups and bankers who have grown increasingly frustrated with insider dealing, corruption and the general lack of transparency and legal protection.

The former businessman has a Russian wife and argues strongly that the country needs policies which take into account the multi-ethnic nature of a state with more than 6m Russians and other ethnic minorities. He says many of the minorities feel discriminated against as a result of the ethnic Kazakh bias of the current regime, and many skilled people have left.

Mr Kashegeldin, who also calls for a free press and an end to press harassment, became prime minister in October 1994, soon after Kazakhstan defaulted on its $4bn foreign debt amid raging inflation.

He gained the confidence of foreign investors and reinvigorated the economy by engaging foreign consultants to oversee a competitive privatisation programme. He also encouraged foreigners to invest in Caspian oil and in the country's rich, non-ferrous and precious metal deposits.

He resigned in 1996 after coming under strong pressure from well-connected local businessmen who resented foreign monitoring and attempts to introduce a western tax system and greater transparency.

"Corruption began with the first two stages of the privatisation process, but Nazarbayev's worst mistake was to put family members in key positions," Mr Kashegeldin says of the president's bid for a third, and extended, term. "It is just not possible for Nazarbayev to remain president all my lifetime and his children for my children's lifetime."

NEWS DIGEST

ISRAELI INTEREST RATES

Key lending rate raised to defend the shekel

The Bank of Israel yesterday lifted its key lending rate by two percentage points to 13.5 per cent in a bid to curb inflation and stem the decline of the shekel. It will take effect on Sunday.

It is the second time in two weeks that Jacob Frenkel, BOI governor, has raised rates by two percentage points, provoking strong criticism from industry that he is squeezing the economy from all sides.

Exporters have gained from the devaluation of the shekel which last month fell 14 per cent against the dollar, reaching a low of Shk4.37. However, higher costs of imported goods are being passed on to the consumer, fuelling inflation and reducing demand.

Inflation is expected to rise to 9 per cent for 1998 instead of ending at about 5 per cent, while gross domestic product is estimated to grow 1.6 per cent. Lower demand islikely to push unemployment to more than 9.6 per cent, making it difficult for the finance ministry to reduce the budget deficit to 2.4 per cent of GDP. Keith Phillips, analyst at SG Securities, said the BOI used the rate increase to discourage higher pay rises in the public sector. **Judy Dempsey, Jerusalem**

JEWISH SETTLEMENTS

Har Homa tenders published

Israel yesterday published tenders for the construction of 1,025 houses at Har Homa, the controversial new Jewish settlement in Arab East Jerusalem, despite a commitment to refrain from any unilateral actions in the peace accord signed with the Palestinians last month.

The tenders, to be submitted by December 24, were published in Ha-Aretz daily newspaper a day after the cabinet ratified the Wye accord. Only eight of the 17 ministers voted for the new land-for-peace deal, leaving Mr Netanyahu little room for manoeuvre next week when the Knesset debates the accord ahead of implementation.

Palestinian officials said the call for the tenders was a provocation and illegal. "Netanyahu is creating new problems for the peace process," said Hassan Asfour, who negotiated the Wye accord.

Palestinian and US officials believe Mr Netanyahu gave the go ahead for the the tenders in a bid to placate the National Religious Party which opposes any handover of land to the Palestinians. Even so, NRP ministers voted against the Wye accord.

In the accord, both sides agreed in general terms not to take any unilateral actions, but US officials believed they had received some assurances from Mr Netanyahu that he would not publish any tenders. **Judy Dempsey**

UNITED NATIONS ASSOCIATION

New US head chosen

William J. Leurs, a former diplomat who has served as president of The Metropolitan Museum of Art since 1986, has been selected to head the United Nations Association of the USA.

The association is the largest grassroots foreign policy organisation in the US and the country's leading centre for policy research on the UN and global issues.

Mr Leurs said he hoped to engage the American public on the multilateral role the US plays in the world. He would also like to help reverse Congressional opposition to paying the $1.3bn US arrears to the UN. **Reuters, New York**

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ISRAELI INTEREST RATES

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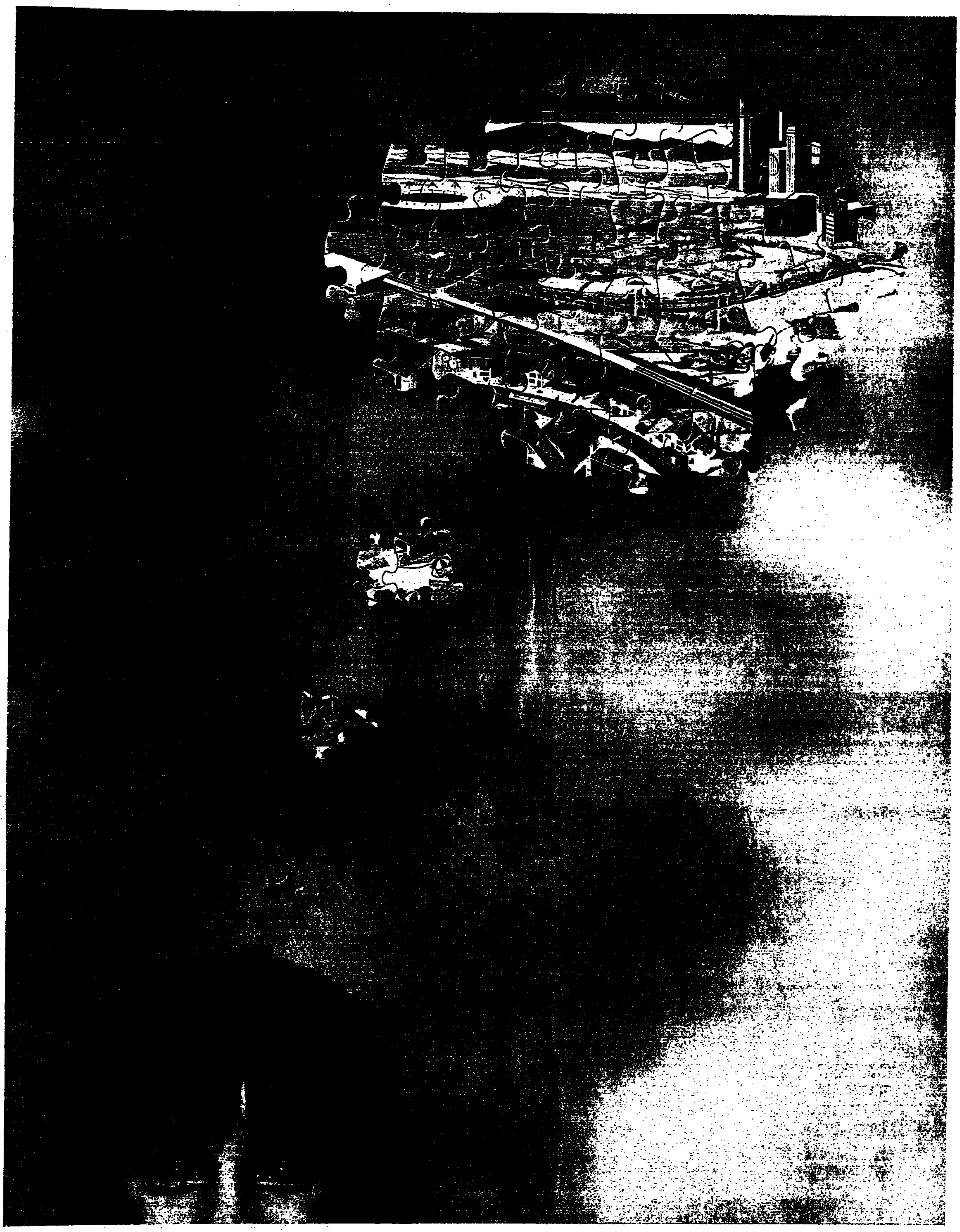

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NEWS DIGEST

ECONOMIC CRISIS

Moody's expects deeper recession to hit Asia

The crisis-hit economies of Asia are likely to slip deeper into recession before they recover and any upturn is not likely for another two to three years, Moody's Investors Service said yesterday.

"Asia has not yet reached bottom," said Vincent Truglia, co-head of the agency's sovereign risk unit. He said recovery in certain east Asian economies depended more in the short term on a revival of domestic demand in Japan than on the structural reforms urged by the international financial community.

"Structural reforms are necessary but not sufficient conditions [for recovery]. Some people have confused that." Although some economies had managed to improve their current accounts, this was a result of slowing demand and lower import bills, not because exports had increased.

"Any turnaround in east Asia is going to have to centre on domestic demand, and the driving force [there] by far is Japan. There's certainly no evidence that Japan has reached the bottom of the economic cycle," he said.

Excess capacity in the region was having a damping effect on demand for commodities, which would have a negative effect on emerging economies.
Jeremy Grant,London

BROKERAGE FUND

Japan urged to think again

The Japanese government risks seriously undermining its proposed "Big Bang" reforms if it implements a planned brokerage investor protection fund next month, the American Chamber of Commerce in Japan warned yesterday. The proposed scheme would "result in a significant loss of international confidence in the Japanese financial industry" because it did not meet global supervisory standards, it said. The warning will fuel the increasingly tense battle between Japanese and foreign brokers over the protection scheme. Last week 37 foreign banks decided to establish their own breakaway scheme because they feared that joining the official government scheme would expose them to unlimited liabilities.

The government has insisted all brokers operating in Japan should join an industry protection scheme on December 1. The Japan Securities Dealers' Association (JSDA), the industry body, has already devised its own scheme but foreign brokers are refusing to join it, as they argue it could leave them shouldering the burden for huge losses at failed brokers such as Yamaichi Securities.

The affair has also triggered a split among Japanese brokers. Some brokers in Osaka said this week they planned to join the foreign fund, instead of the JSDA group, partly because of long-standing rivalries with Tokyo. **Gillian Tett, Tokyo**

AUSTRALIAN ECONOMY

Strong performance signalled

Australian employment figures released yesterday indicate the economy continued to perform strongly despite the economic and financial difficulties experienced by its major trading partners in Asia.

Employment growth in October exceeded all forecasts with seasonally adjusted unemployment falling from September's 8.1 per cent to 7.7 per cent, its lowest level in eight years. Consumer sentiment, seasonally adjusted, jumped sharply, according to a monthly survey conducted this month, compared with the previous month. Gross domestic product increased 0.7 per cent for the June quarter, compared with the previous quarter, translating into a 3.9 per cent increase year-on-year. Positive assessments of the economy by the Reserve Bank and Treasury all add to the list of indicators yet to show any sign of impending slowdown in economic growth, said Anthony Thompson, senior economist with HSBC Markets in Sydney. **Steve Wyatt, Sydney**

VIETNAMESE ECONOMY

Hanoi closes two banks

Vietnam says it has closed down two small semi-private banks in Ho Chi Minh City and brought the operations of 10 more under state-bank supervision, in the first stage of a bid to restructure the debt-troubled sector. The state bank governor, Nguyen Tan Dung, said further measures to restructure and merge some of the remaining 52 semi-private, or "joint-stock", banks will be announced before the end of the year.

Vietnam's joint-stock banks were established after liberalisation of the banking system in 1991, with shareholders including both private and state-owned businesses.

The two banks now closed, the Nam Do Commercial Bank and the Mekong Commercial Bank, are both comparatively small, with Nam Do's total assets amounting to less than $3.85m. **Jonathan Birchall, Hanoi**

China closes big regional stock market

By James Harding in Shanghai

China has shut down one of the country's largest over-the-counter (OTC) stock markets, the latest step in the government's drive to clean up informal institutions of the financial sector.

The unofficial local stock market in Wuhan was sanctioned by the municipal authorities but not by the central government. It was closed by Beijing in a further move to reassert its authority over the unregulated financial business in the provinces that is seen as a threat to social stability.

The closure underlines anxiety about potential flashpoints in China's flawed financial system, as a slowing economy exposes weaknesses of financial institutions as well as industrial companies. China yesterday also announced the closure of one of the oldest and biggest state-owned sugar mills, which has collapsed with debts of RMB700m ($84m) in one of the country's biggest ever bankruptcy cases.

An analyst at Hubei Securities in Wuhan said yesterday: "The OTC market was like an illegitimate son, which many people believed would be allowed to survive. But Beijing has made up its mind to eliminate it." One reason, he said, was fear of local unrest springing from wide fluctuations on the exchange.

On Wednesday Beijing witnessed one of the boldest public protests since the 1989 demonstrations for democracy, when more than 200 angry investors marched through the centre of the city demanding compensation following closure of a retail brokerage, called Xin Guo Da, which they said cheated them of their savings.

The OTC exchanges, which sprang up in the 1990s in medium-sized cities across China and flourished while the central government turned a blind eye, have at their height boasted a combined market capitalisation of more than $5bn.

But the closure of the prominent centre in Wuhan, the huge industrial city in central China, signals Beijing's determination to clamp down on the largely unsupervised and highly speculative provincial securities industry.

Beijing has taken unprecedented action against wayward financial institutions this year, closing a bank for the first time in China's modern history and announcing the closure last month of one of the country's largest non-bank financial institutions, Guangdong International Trust and Investment Corporation (Gitic).

The OTC markets, which have grown under the patronage of municipal and provincial governments, appear to be the next target of the government's campaign to recentralise control of the financial services industry. Two smaller OTC markets near Wuhan were closed earlier this year.

The closure of the OTC markets also carries risk, as many state sector workers in poor areas who did not have access to the official stock markets in Shanghai and Shenzhen have poured their savings into unofficial exchanges.

● China yesterday marked the continuation of a year-long trend of falling prices, as the benchmark retail price index (RPI) declined 2.9 per cent year-on-year in October. The slide in prices year-on-year was not as steep last month as in September, when the RPI showed prices down 3.3 per cent. Government economists hope this is evidence of a reverse in what they fear has been a deflationary trend.

Prices have been falling in China since October 1997, when Beijing reported its first negative price growth figures in years. Each month since then, the government has consistently reported negative RPI figures, as the slowdown in income growth and fresh concerns about job security have undermined domestic demand, just as chronic oversupply in many industries has created fierce competition and aggressive cost-cutting. The government has sought to reverse the trend by establishing price floors, pump-priming the economy and clamping down on the smuggling that eats into formal business, so far with limited impact.

China's economic growth in the first nine months of this year was 7.2 per cent compared with the same period last year, below the government's growth target of 8 per cent for 1998.

Fingers crossed that leaders can avoid Apec summit fiasco

The regional economic crisis and fears of protectionism make it a vital meeting, but the omens for success are not good

By Peter Montagnon, Gwen Robinson and Sheila McNulty

A round of applause broke out in Jakarta four years ago when Rafidah Aziz, Malaysia's trade minister, offered Kuala Lumpur as the venue for this year's summit of the Asia Pacific Economic Co-operation (Apec) forum.

Then it seemed that Malaysia was finally willing to become engaged in a regional trade liberalisation process it had hitherto regarded with reserve. But now some of those who clapped must be regretting their enthusiasm. For, as the 21 leaders start arriving in Malaysia this weekend, their meeting is beset with problems that could make it an embarrassing fiasco.

Not only must they look for a credible way out of the economic crisis that has hit Asia over the past 18 months. The US and Australia are at loggerheads with Japan over its refusal to free trade in forestry and fishery products as part of a concerted sectoral liberalisation programme. Worst of all, there is general worry about whether Mahathir Mohamad, Malaysia's controversial prime minister, is a suitable chairman given current domestic tensions, his frequent outbursts against financial investors and his recent decision to impose capital controls.

Normally, the host sets the tone for Apec summits and plays an important role in shaping the outcome. But several of Dr Mahathir's guests are reluctant to be publicly associated with him since charges of sodomy and corruption were laid against his main political rival, Anwar Ibrahim.

Mr Anwar's detention under the Internal Security Act and his court appearance with a black eye last month prompted an outcry even from some of Malaysia's normally reticent neighbours such as the Philippines and Indonesia. President Bill Clinton and Jean Chrétien, Canada's prime minister, are studiously avoiding a bilateral meeting with Dr Mahathir while they are in town.

In that climate it may prove difficult to make progress with the group's normal economic agenda, which is already complicated by the arrival this year of Russia, a large new Apec member with a whole host of problems of its own and a traditional reluctance to play a backseat role.

US officials believe this year's meeting has a crucial role to play in preventing the regional economic crisis from leading to a retreat into protectionism. If the afflicted countries are to continue receiving financial assistance and sell their products in the US, they must maintain open markets of their own and stimulate domestic demand. Japan's reluctance to open its fisheries and forestry markets has thus become an issue of symbolic importance.

Japan argues that it is already a large importer of both fishery and forest products, which carry low tariffs of 4.6 per cent and 1.7 per cent respectively. But these are both sensitive products and it was politically difficult to cut tariffs to this level in the Uruguay Round. Further cuts should come in the context of a new world trade round in which Japan could expect reciprocal concessions, says Masaki Okada of Tokyo's foreign ministry.

But this cuts little ice with those who worry that Japanese recalcitrance could cause the whole concerted action programme to unravel. Indonesia, for example, might be tempted to opt out of liberalisation in other sectors such as chemicals. Sectoral liberalisation covering 40 per cent of intra-regional trade is "central to Apec's work programme," says Joanna Hewitt, Australia's Apec ambassador. "It would be a great setback if we were not able to produce a good package."

But it is not only on sectoral liberalisation that the meeting will be judged. President Clinton said this week that he was looking for a new commitment from Japan to revive its economy as well as moves to facilitate private sector debt restructuring in Asia as part of efforts to revive regional growth. Australia has been urging Apec countries to commit themselves to international standards in banking and financial market supervision as part of efforts to improve transparency and prevent future crises.

Mohamad Mahathir (left): can he hold the Apec conference together? AP

Others, including Dr Mahathir, want reform of the world financial system to be discussed, with several Asian countries expected to call for better surveillance of financial markets and regulation of short-term capital flows. How Dr Mahathir handles this question as chairman is likely to be crucial to the overall outcome of the meeting.

Some participants fear that too much focus on the Anwar trial – many visiting leaders will be under strong pressure from home to raise the issue and there could also be large demonstrations in Kuala Lumpur – might drive him into a corner and prompt further outbursts of temper directed to hedge funds and other portfolio investors. The meeting could then break up in disarray. Even on the Japanese trade question there is doubt over his willingness to bang heads together, because of Tokyo's role in financing large Malaysian infrastructure projects.

Malaysia is trying to keep domestic politics out of the summit. "If we cloud the agenda with political motives, we will never be able to focus on issues of interest to member economies," Ms Rafidah says.

Elsewhere a climate of nervousness prevails, based on the realisation this is one of those rare summits, which cannot be scripted in advance.

The best hope is fear of a fiasco will keep everybody on their best behaviour. Most also agree Dr Mahathir himself needs a positive outcome to boost his flagging international reputation and may want to keep some of his more extravagant views under wraps. "Anyone trying to barge their way through with rhetoric will be pretty savagely dealt with by their fellow leaders and by the media," says Tim Fischer, Australian trade minister. "That in itself will be a constructive dynamic."

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POLL BATTLE GUBERNATORIAL ELECTION COULD EMBARRASS THE JAPANESE GOVERNMENT AHEAD OF A VISIT BY PRESIDENT CLINTON

Okinawa questions merit of US military presence

By Michiyo Nakamoto in Tokyo

Along the road from the airport into central Naha, Okinawa's largest city, travellers pass a large US army fire station, a US navy ship docked in the port and a huge stars-and-stripes covering the whitewashed wall of a building on Sunshine Road.

They serve as continuing reminders of Japan's security relationship with the US. Okinawa, Japan's southernmost prefecture, has borne the largest burden of that relationship and lived with the legacy of a war most Japanese hardly ever think about.

The prefecture provides more than 75 per cent of the Japanese land used for US bases, and more than half of the US troops in Japan are based on the island. This has led to an increase in crime and traffic accidents, which have aroused local anger against the foreign military presence.

This Sunday, Okinawans will vote in a fiercely contested gubernatorial election that has ignited a public debate throughout Japan on Okinawa's disproportionate share of the US military burden. The election, which comes a week before President Bill Clinton is scheduled to visit Japan, could be an embarrassment for the Japanese government.

Masahide Ota, the incumbent governor, is calling for total removal of the US military presence from Okinawa. His opponent, Keiichi Inamine, a local business leader, believes the US bases should be used to win central government funds for the local economy.

'Okinawa cannot use its land or sea or skies freely'

If Mr Ota wins, the government will have to review its options. He has refused to be moved by government offers of generous funds – Tokyo's answer to Okinawa's woes.

The elections are not just about Okinawa. The debate raging in the prefecture raises difficult questions for the whole of Japan about sharing the military burden, about Japan's security arrangement with the US and about the security of the entire east Asian region.

Mr Ota says Okinawa is being sacrificed by central government to maintain the security arrangement with the US. "Okinawa is not a US territory... but it cannot use its land or sea or skies freely. If the [US-Japan] security alliance is really important, the whole of Japan should bear the responsibility [for it] rather than making a small place like Okinawa bear the burden," he says.

The US military presence is the single largest obstacle to the prefecture's economic development and independence from central government subsidies, the Ota camp claims.

Mr Ota's firm stand against Tokyo appeals to the local community's resentment towards central government, which many Okinawans believe sacrificed the islanders to protect the mainland during the war and continues to do so in peace.

"The Okinawans hate the Japanese even more than the Americans," notes Masayuki Makino, chief executive officer of Makino Works, which runs a highly successful actors' school.

But the growing support for Mr Inamine, who is backed by the ruling Liberal Democratic party and the local business community, indicates that many Okinawans are beginning to ask whether Mr Ota's strategy is feasible.

It is unrealistic to think that the US would accept the removal of its bases or that Japan could do without the US military presence, says Morisada Maeshiro, assistant professor of sociology at Ryukyu University.

The US presence provides the prefecture with a bargaining chip with which to win funds and other concessions from the central government, he adds.

Five of Pakistan's power companies agree price cut

By Farhan Bokhari in Islamabad

Pakistan's dispute with private power producers yesterday moved a small step closer to resolution, amid signs the government was yielding to international pressure to end the row.

The government announced that five of the 19 private power producers had agreed to reduce their tariffs by up to 10 per cent, in the first big concession to official demands for cuts. In response, the government agreed to drop its criminal investigations into charges that bribes were paid when the contracts were signed.

Despite yesterday's movement Pakistan appeared to be no closer to resolving the dispute with the Hub power company (Hubco) and Kot Addu Power company (Kapco), the largest two privately owned power plants whose shareholders include Britain's National Power.

Ishaq Dar, finance minister, said the five companies had agreed to cut prices through "normal commercial" discussions and "no coercion" was involved.

The government has been locked in a bitter dispute over the issue for months. It has sought cuts in tariffs while pursuing investigations into claims the companies bribed officials under the government of Benazir Bhutto, the previous prime minister. Ms Bhutto opened up the power generation sector for private investors for the first time in 1994, in response to severe energy shortages. Her government was dismissed two years ago amid allegations of corruption.

The corruption investigations into the power sector were seen as an attempt to force tariff cuts to reduce the losses of the state-owned Water and Power Development Authority (Wapda), notorious for widespread inefficiency and internal corruption. Wapda is obliged to buy at least 60 per cent of the power produced by private companies.

Yesterday's announcement came on the second day of the visit of an IMF team to Islamabad, to finalise a badly needed loan, vital to stave off a foreign debt default. The Fund and the World Bank are believed to have urged the government to back away from its investigations. Both agencies are said to have urged a separation of the tariff negotiations from the criminal investigations and apparently said that the controversy would only further harm Pakistan's already bleak prospects of attracting new investments.

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NEWS DIGEST

SEMICONDUCTOR SALES TO RECOVER

Global sales heading for 9% growth next year

Global semiconductor sales are expected to bounce back next year following a sluggish 1998 and show overall growth of 9.1 per cent to $133.4bn, according to the California-based Semiconductor Industry Association.

The SIA, in its semi-annual economic forecast, predicts that the rebound will be led by a surge in memory chips, microprocessors and digital signal processors which are found in electronic products including mobile telephones, set-top boxes and modem communication devices.

Sales should increase by a further 15.2 per cent in 2000 and by 18.2 per cent in 2001 as the growth cycle gathers momentum, the Association said.

"The semiconductor market is a $122bn industry this year, but we should hit $182bn by the year 2001," said Steven Appleton, Micron Technology's chief executive. "That is a growth rate of 42 per cent in the next three years.

This year is the first year since 1985 that the overall chip industry has seen sales decline reflecting overcapacity in some product areas – particularly memory chips – and the economic crisis in Asia which has depressed sales for all semiconductor companies. **Paul Taylor, London**

PHARMACEUTICAL PATENTS

EU takes Canada to WTO

The European Union has requested a World Trade Organisation disputes panel against Canada over its failure to provide adequate patent protection for pharmaceutical products.

The European Commission, the EU executive, said the Canadian rules cost the European pharmaceutical industry several hundred million dollars a year. Its request for a WTO panel comes after the failure of two rounds of consultations between the two sides.

The Commission said Canada's patent legislation did not comply with the WTO's agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), obliging WTO members to guarantee patent holders exclusive rights to use a patented investion for 20 years.

Under Canadian legislation, parties other than the patent holder may, without the patent holder's consent, use a patented invention to carry out tests to obtain marketing approval of a copy of a patented medicine, before the patent expires, or to manufacture and stockpile patented medicines for up to six months before patent expiry. Sales of European pharmaceutical products in Canada last year reached C$1.4bn, or 45 per cent of the total Canadian pharmaceuticals market of C$3.2bn.
Neil Buckley, Brussels

CHINA RETAILING

Duty-free shops planned

China plans to open several more duty-free stores in the centres of its biggest cities next year, offering new outlets for the sale of luxury brand consumer goods from Europe and the US to foreign tourists and residents.

Ge Zhixin, general manager of the China Tax Free Commodities Company, was quoted yesterday by the official media as saying that new duty-free shops were likely to be opened in Shanghai, Beijing and Guangzhou.

Shanghai already has four duty-free stores, some at the airport and others in the heart of the city. The shops, which were first introduced in China 10 years ago, are aimed at overseas tourist and foreigners living in China's main cities. **James Harding, Shanghai**

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for November 15 1998 to December 14 1998 (October 15 1998 to November 14 1998 in brackets)

D-Mark	4.81	(4.78)	Yen **	2.10	(2.30*)
Ecu	4.50	(4.62)	Peseta	4.80	(4.94)
French franc	4.94	(4.98)	Sterling	6.05	(6.47)
Guilder			Swiss franc	3.89	(3.97)
up to 5 years	4.70	(4.75)	US dollar for credits		
5 to 8.5 years	5.00	(4.90)	up to 5 years	5.18	(5.62)
more than 8.5 years	5.55	(5.45)	5 to 8.5 years	5.18	(5.62)
Italian lira	5.18	(5.29)	more than 8.5 years	5.46	(5.76)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid, interest rates may not be fixed for more than 120 days.
* The Japanese Yen CIRR changed to 2.10 as of October 19th 1998 ** The Japanese Yen CIRR will change to 2.00 as of November 20th 1998.

EU RAISES OBJECTIONS ALITALIA AND NORTHWEST LIKELY TO CO-OPERATE UNDER AVIATION DEAL

US and Italy agree 'open skies' accord

By Michael Skapinker, *Aerospace Correspondent*

The US and Italy yesterday agreed a new "open skies" accord. The agreement is expected to hasten the formation of a new international airline alliance, including Alitalia, Northwest Airlines of the US and KLM of the Netherlands.

Washington welcomed the agreement, but the European Commission is expected to begin legal action against Italy over the accord. Brussels is already taking eight other EU countries to the European Court of Justice over their aviation agreements with the US.

The US-Italian agreement, which will allow airlines to fly freely between the two countries, will be ratified when Alitalia and Northwest receive anti-trust immunity from the US authorities. This will allow them to set prices jointly and sell seats on each other's flights. US officials said they could not say when immunity would be granted.

Alitalia and Northwest are expected to link up with KLM, which has already announced it intends to form an alliance with the Italian carrier. Continental Airlines, which is pursuing a link with Northwest in spite of opposition from the US justice department, is also likely to be part of the grouping, which is expected to be called Wings.

The airlines would attempt to challenge the dominance of the Star Alliance, the six airline grouping led by United Airlines of the US and Lufthansa of Germany.

Oneworld, the five-carrier alliance led by British Airways and American Airlines, is expected to announce how it plans to operate early next year. BA and American have said they will not apply for immediate anti-trust immunity, although they would like to achieve it in the long term.

The US has said it will not grant immunity to BA and American until the UK agrees to an open skies agreement. Talks between the UK and US over a new accord broke down earlier this year. BA has said it would prefer aviation relations between the US and UK to be liberalised in stages, allowing London's Heathrow airport to be opened to competition gradually rather than all at once.

David Marchick, US deputy assistant secretary of state for transport, said: "This [US-Italian] agreement means that, of the top six markets between the US and Europe, the UK remains the only country that has not initialised a liberalised air services agreement with the US."

A Brussels official said the Commission would take no action until it had been officially informed of the agreement. It is then expected to write to the Italian government objecting to the accord, as a first step towards beginning court action.

The Commission objects to the open skies agreements because other EU countries cannot take advantage of them. The new agreement would mean that while Italian carriers could fly to the US, other European airlines could not begin services between the two countries. Brussels argues that this violates the principles of the EU single aviation market.

The Commission wants to negotiate an overall agreement between the EU and the US but has said this would incorporate, rather than scrap, existing bilateral accords.

Strong demand for internet licences in India

By Mark Nicholson in New Delhi

India has seen strong demand for licences for private internet service providers (ISP) less than a week after the government ended the state monopoly on internet access, with officials saying more than 100 companies have already asked for application forms.

Officials at the department of telecommunications said they had received 50 firm applications and that 11 licences had already been issued, including to MTNL, the state telephone provider for Bombay and Delhi. The remainder, said officials, were from small Indian companies intent on establishing smaller, city-based net access. "We're now issuing around three to four licences a day," said a telecoms official.

The new policy, which ends a monopoly enjoyed for the past three years by VSNL, the state international telecoms provider, allows for national, regional or citywide players, places no limits on the number of licences and requires just bank guarantees to back the licensing. IT industry executives say they expect a rash of smaller players to enter the ISP fray, with citywide providers requiring bank guarantees of just Rs300,000 ($7,100) to secure a licence.

"It will proliferate like TV cable companies," said Pradeep Kar, managing director of Microland, an internet-based software company based in Bangalore, referring to the early 1990s explosion in India of local, small-scale cable television providers, of which there are now tens of thousands nationwide.

Telecom officials said they would issue a list next week of early applicants, which they said so far did not include the "big players". America Online, Compuserve and other established international internet providers, along with major telecoms groups, are expected to apply for national licences.

Two of India's most successful software companies, Wipro and Satyam Computers, have already declared their intention to apply for national internet licences, while many other big companies are understood to be interested in setting up all-India services.

These include Bharti Telecom, in which BT, the UK telecoms group, has an interest, Zee, the satellite TV company, IN Network, the cable company owned by the Hindujas, the non-resident Indian investors, and the B K Modi group, a diversified company, which was reported in yesterday's business press to be in talks with both Yahoo! and America Online. The new internet policy limits foreign ownership of ISPs to 49 per cent.

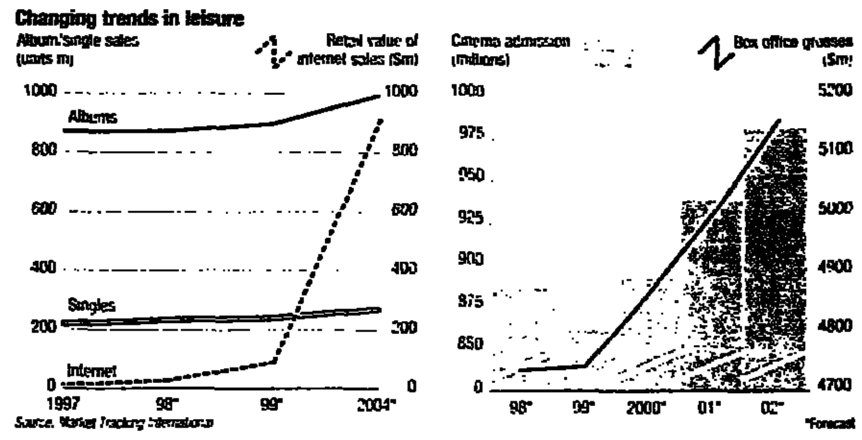
Industry executives broadly agree there will be a rush of licences issued within the next few months, followed by a later shake-out in the industry – most seeing fewer than a handful of companies managing to sustain all-India services. "You'll probably end up with just one or two national players, two or three dominant in each region and a lot of city players feeding into the national net carriers," said L Subramanyam, editor of Dataquest, the IT trade publication.

VSNL, the current monopoly provider which introduced commercial internet services three years ago, has already declared its intention to cut user tariffs and expand network capacity to compete.

Cinemas set for rapid growth

By Alice Rawsthorn in London

Changing trends in leisure



Source: Market Tracking International

Europe's entertainment industry is set for further growth over the next five years, with music sales rising modestly and steep increases forecast for the cinema sector, according to a new study.

The study, by Market Tracking International, the research consultancy, expects western European music sales to fall this year to $12.2bn, but to rise by 18.4 per cent to $14.4bn in 2004.

Cinema attendance across western Europe is expected to increase by nearly 11 per cent over the shorter period from 886m this year to 982m in 2002, with box office receipts up by 9 per cent from $4.73bn to $5.16bn.

The overall picture of modest growth in the western European music business disguises sharp discrepancies between different countries, according to MTI.

It expects German sales to stall at around $3bn, while the UK overtakes it as Europe's biggest music market with 12 per cent growth to $3.37bn in 2004. The fastest growing market will be Portugal, where music sales are expected to double to $377m over the same period.

MTI expects rapid growth in sales of music over the internet, mostly by mail order, rather than direct distribution of digitalised recordings to consumers' computers.

Europe still lags two or three years behind North America in terms of internet retailing. MTI estimates that European consumers purchased just $4m-worth of music over the internet last year, and will buy nearly $19m-worth this year. However, it expects the total to rise to $81m next year and $904m in 2004.

Many European music retailers have recently started selling over the internet. Both CD Now and N2K, the US online retailers, have opened a Netherlands distribution centre. Amazon, the US internet bookseller which is now the world's biggest online record retailer this autumn, plans to introduce music to its recently launched UK and German online bookshops.

The prospects for western Europe's cinema industry are somewhat smoother. After several decades of decline, the industry revived in the mid-1990s as new multiplex cinemas were constructed across the continent.

MTI expects the multiplex openings to continue, with the number of screens in western Europe rising from 23,511 at the end of this year to 26,659 in 2002.

The availability of larger, more comfortable theatres with a wider choice of films should encourage more people to visit the cinema, and to go there more often, thereby fuelling robust growth in box office receipts. Annual admissions and box office revenue should show double digit growth in France, Germany and the UK, the three largest western European cinema markets, according to MTI.

The expected upturn in western Europe should be welcome news for the cinema industry, which is braced for more testing trading conditions elsewhere in the world, notably the mature North American market and economically turbulent Asian region.

European Music & Media Report 1999 is published for £399 by MTI, 7 Archway Business Centre, Wedmore St, London N19 4RU. Tel: +44 171 263 1365.

CANDIDATES TO HEAD THE WTO ROY MACLAREN: THEOLOGY AND TRADE NEGOTIATIONS

Desire for transparency and a better deal for poorer countries

By Guy de Jonquières

Name:	**Roy MacLaren**
Nationality:	**Canadian**
Work experience:	
From 1996	**Canada's High Commissioner in London**
1993-96	**Minister for International Trade**
1984	**Minister for National Revenue**
1983	**Minister of State (finance)**

Roy MacLaren boasts unique credentials in the contest to head the World Trade Organisation. He is the only candidate with a degree in divinity and a diploma from Harvard Business School – along with an impressive string of other educational qualifications.

"Some unkind wit once said I worship God and mammon at the same time," he says. "The study of theology might suggest that some of the metaphysical questions that come before the WTO might be more comprehensible to me than otherwise."

But Mr MacLaren's strongest suit is his range of experience, acquired during a career spanning government service and business. A 64-year-old Canadian, who started as a diplomat dealing with trade and development issues, he worked in advertising and became a successful magazine publisher, before entering politics.

As trade minister from 1993 until 1996, he helped conclude the Uruguay Round and North American Free Trade Agreement. He has since returned to diplomacy, as Canada's high commissioner in London.

He says his career has equipped him to foster the consensus needed to move the world trade agenda forward: "The new WTO director-general must be a person who can achieve conciliation between the conflicting approaches of those who have some scepticism about further liberalisation, and those who remain ardent advocates."

The more so since the WTO's next big negotiations would need to tackle a broad range of issues far more speedily than traditional trade rounds. Progress would also depend crucially on convincing public opinion and non-government organisations (NGOs) that liberalisation was in their interest.

"When I first became involved in trade policy, it essentially operated at the borders, in areas like tariffs," he says. "That is no longer the case. Trade policy today raises questions of a much more domestic character: they are internal rather than external."

The WTO could only persuade people it was not intruding unreasonably in their affairs by becoming more transparent. It needed to publish decisions and documents faster, distribute them more widely, and improve dialogue with the outside world, possibly by giving NGOs the "consultative status" they enjoy in the United Nations. Providing better public access to information, he concedes, would add costs to the WTO's already tightly stretched budget. "With my business background, I am all for lean organisations. But I also recognise there is a number of under-funded areas in the WTO," Mr MacLaren says.

He says the body cannot be truly global until China and other applicants are members. But bending the rules to get them in quickly would simply create a two-tier organisation. "It won't be overnight that we see China enter the WTO," he says.

Mr MacLaren's other big priority is to win a fairer deal for the WTO's very poorest members. "We have to be sure the WTO is truly universal in a whole lot of ways, above all by assuring the least developed countries that multilateral rules work for them."

A case in point was the WTO decision in favour of a US complaint against the European Union's banana regime. Although correct in narrow trade policy terms, it failed to recognise the vulnerability of the Caribbean economies which depend on banana exports, he says.

Part of the solution, he thinks, is for the WTO to co-operate with the World Bank and other development agencies to step up technical assistance, so poor countries can enjoy more fully the benefits of world trade.

Mr MacLaren bristles, however, at suggestions by some developing countries that the WTO can only tackle their problems effectively if one of them provides its next director-general.

Personal merit, not regional affiliations, should decide the choice of the WTO's new head, he insists: "The issue has ultimately to be who is the best person to take the organisation through some complex and difficult years ahead, with a real understanding of the interests of the total membership".

This is the first in a series of profiles on the four declared candidates to succeed Renato Ruggiero as director-general of the WTO. Mr Ruggiero's four-year term ends in April but he has indicated a willingness to step aside earlier.

Feature, Page 13

Taiwan's USI to open Scottish factory

By James Buxton in Edinburgh

Universal Scientific Industrial, a Taiwanese electronics company, is to site its first European factory in Irvine, central Scotland. The £15m ($25m) investment is further confirmation that Taiwan remains a strong source of inward investment in Britain when there is little new investment from other Asian countries.

USI, founded in 1976, makes components and assemblies for the worldwide electronics industry. It employs more than 3,000 people in Taiwan, Japan and Mexico and has joint ventures in China and Japan. The Scottish plant will handle design, marketing and customer support as the company pursues new opportunities throughout Europe.

Locate in Scotland, the inward investment agency, beat off strong competition from the Republic of Ireland to persuade USI to choose Scotland. Both countries have electronics industries based mainly on foreign companies, though the Scottish industry, known as Silicon Glen, is larger.

Harvey Wu, vice-president of USI, said that "the wealth of high quality electronics companies in Scotland and the UK" provided scope for rapid growth. USI was also attracted by the quality of the Scottish workforce and transport links to mainland Europe.

Lord Macdonald, the Scottish business and industry minister, welcomed USI, saying: "Investment of this magnitude is always good news, but particularly at a time when many companies are feeling the effects of the current global economic downturn."

Irvine is an important centre of electronics manufacture. Fullarton Computer Industries, a subsidiary of the London-based Laird Group, employs about 2,000 people in 13 factories making computer components and assemblies.

Taiwanese electronics companies have continued to invest in the UK since the Asian financial crisis last autumn brought a sharp downturn in the number of companies from the region making inward investments in Europe. The Taiwanese economy has proved more resilient than others.

However, in September, Lite-On Technology, a Taiwanese company which makes computer monitors at Mossend in central Scotland, decided to suspend operations at its plant.

USI is the fifth Taiwanese high-technology company this year to agree to establish UK factories. Acer Peripherals plans a £25m plant to assemble computer monitors in Wales, ADI is to spend £25m to build monitors near Newcastle-upon-Tyne, Delta Electronics is investing £10.7m in a plant at East Kilbride in Scotland to make power supplies for computers, and Foxteq is investing £15m to assemble personal computer enclosures near Paisley, Scotland.

Minister cautious over high-tech planning application

John Prescott, deputy prime minister and chief environment minister, yesterday moved cautiously on a planning application regarded as a test of the government's attitude towards developing greenfield high-technology centres, **Alan Pike writes.** He accepted that aspects of a science park Wellcome Trust wants to build alongside its Hinxton Hall genetics research centre near Cambridge were in the national interest. He has not at this stage endorsed a planning inspector's decision to reject the proposal. More evidence about the scheme will now be required.

The government is examining ways of speeding up planning processes to establish dedicated technology clusters on the lines of California's Silicon Valley. But the interests of high-technology organisations can conflict with priorities of municipal authorities and environmental campaigners.

South Cambridgeshire district council said Mr Prescott was now putting the spotlight back on Wellcome.

First N Ireland arms handover is signalled

By John Murray Brown in Belfast

A parallel handover of weapons with the Irish Republican Army was proposed yesterday by the Loyalist Volunteer Force, an anti-republican group. It was the first sign of a possible break in the long deadlock over "decommissioning" of paramilitary weapons in Northern Ireland.

The proposal came after Mo Mowlam, chief minister for Northern Ireland in the UK government, had accepted as genuine the ceasefire declared in September by the LVF, which accepted responsibility early in the year for several murders of Roman Catholics.

Ms Mowlam said she was satisfied the LVF had "established a complete and unequivocal ceasefire" and welcomed the "significant contact" the group had made with the decommissioning unit headed by General John de Chastelain.

The LVF, which opposed the April peace agreement, said it was ready to begin handing over weapons within weeks now the government had acknowledged its ceasefire, which allowed it to join a scheme under which paramilitary prisoners can be released early.

Pastor Kenny McClinton, who mediates between the group and the decommissioning body, said he had been in contact with the LVF's ruling council and they were prepared to give up a "small but very real" amount of weapons.

Mr McClinton said the LVF was demanding the IRA reciprocate by decommissioning arms on a 1:10 ratio.

Ms Mowlam's move was welcomed by David Trimble, Northern Ireland's first minister. "I have been pressing for this as the LVF ceasefire is as genuine as that of the IRA and other paramilitary groups," he said.

Implementation of the peace agreement has been held up, with the Ulster Unionists insisting the IRA start the process of disarmament before Sinn Féin, its political wing, can take seats in the executive that will take over the running of the province in February.

Senior republicans justify their refusal to hand over arms on the grounds they are needed to defend their communities against Loyalists. That position will have hardened after the recent killing in north Belfast of a Catholic man who had no paramilitary links.

Ms Mowlam declined yesterday to recognise as genuine ceasefires declared by two Republican groups, the Real IRA, which claimed responsibility for the Omagh bombing in which 29 people died in August, and the Irish National Liberation Army, military wing of the Irish Republican Socialist party.

● The Duke of Edinburgh yesterday opened a new check-in hall at Northern Ireland's Belfast International Airport at the end of a three-day visit to the south and the north of Ireland during which the duke became the most senior member of the royal family to make an official visit to the republic.

Mike Fitzgerald resigned as vice-chancellor 'in the interests of the university' Press Association

University chief quits after 'dumbing down' complaints

By Simon Targett, Education Correspondent

The vice-chancellor of Thames Valley University, one of the largest universities in the UK, resigned yesterday after publication of a report showing that academic standards were "at risk."

Mike Fitzgerald quit after a special review by the Quality Assurance Agency found "serious shortcomings in academic management", which had led to a "dumbing down" of degree standards.

Thames Valley, formerly the Polytechnic of West London, runs courses not normally associated with universities, such as rock music and Indian cookery. Mr Fitzgerald was one of the most unconventional university chiefs, renowned for his peroxide hair and earrings.

The Higher Education Funding Council for England had ordered an action team, comprising a former vice-chancellor and a management consultant, to "help the university identify a path to recovery". It was the first sign of readiness to act over standards in institutions that have jealously defended their autonomy.

Baroness Blackstone, an education minister, said the "taxpayer too rightly expects value for money from the £6bn a year spent on higher education".

Mr Fitzgerald, 47, became the youngest vice-chancellor in the UK in 1991, when he was appointed to run the then polytechnic. He said he resigned "in the interests of the university and its continuing development".

The agency was established last year to safeguard academic standards in British universities. It said external examiners, who check examination scripts, were "disgruntled and disbelieving"; the agency found that some of their reports were "serious indictments of the university as a degree awarding body".

Ministry aide's post may revive fears over Murdoch

By John Gapper, Media Editor

Controversy over links between the government and Rupert Murdoch, the media owner, is likely to be rekindled today by the announcement that another senior government adviser is joining a company partly owned by Mr Murdoch.

Julian Eccles, special adviser to Chris Smith, chief minister for culture, is leaving to become head of corporate communications for Open, the interactive home shopping and banking television service. Mr Smith's responsibility encompass newspapers and broadcasting issues including television regulation.

The appointment of Mr Eccles follows that of Tim Allan, the former press secretary to the prime minister, who has become director of communications for British Sky Broadcasting, the satellite television service.

BSkyB holds a 32.5 per cent stake in Open, formerly known as British Interactive Broadcasting. The other shareholders are British Telecommunications; HSBC Holdings, the banking group; and Matsushita, the Japanese electronic group.

The appointment of Mr Eccles is likely to fuel criticism over close relations between media enterprises controlled by Mr Murdoch – including the country's top selling daily and Sunday newspapers – since the general election in May last year.

Mr Eccles' appointment has been cleared by Robin Young, the permanent secretary (top official) at the culture ministry, after he consulted the Cabinet Office. Clearance is required when senior officials transfer to the private sector.

Mr Eccles, formerly a Labour Party official, declined to comment yesterday. There has been continued criticism by opposition parties and by rival newspapers of the links between Mr Murdoch and Mr Blair since newspapers controlled by Mr Murdoch switched their line to back the Labour party.

Finance regulator's impact to be monitored

By George Graham, Banking Editor

The Financial Services Authority, the new integrated regulator for the City of London, is to set up a "practitioner forum" to try to convince the industry that it will be accountable.

The forum will be chaired by David Challen, a senior corporate financier and chairman of J.Henry Schroder & Co. It will include representatives from banking, fund management, life assurance and accountancy.

Howard Davies, the FSA chairman, said the forum would review the FSA's cost-effectiveness, impact on the global competitiveness of UK markets and promotion of innovation.

"We want it to monitor market views of our effectiveness and our efficiency and, in particular, to tell us if we are imposing unreasonable burdens on the industry. We want it to produce and publish an annual report and to become the focal point for City views on the regulatory regime," Mr Davies said last night at the annual dinner of the American Banking and Securities Association of London.

The FSA holds the powers of the old Securities and Investments Board, together with the banking supervision role previously played by the Bank of England, the UK central bank. Mr Davies added that the FSA would be answerable to parliament through the Treasury, to the courts and to its own board.

Other members of the forum are Barry Bateman, president of Fidelity Management; Donald Brydon, chief executive of AXA Investment Managers; Amelia Fawcett, managing director of Morgan Stanley Dean Witter; Richard Harvey, chief executive of Norwich Union; Brendan Nelson, financial sector chairman at KPMG; Martin Ritchley, chief executive of Coventry Building Society; Paul Spencer, chief executive of Royal & Sun Alliance; and Derek Wanless, chief executive of National Westminster Bank.

NEWS DIGEST

GOVERNMENT WEBSITE

Central bank chief faces hour of online questions

Eddie George, governor of the Bank of England, the UK central bank, yesterday ventured into cyberspace to defend the Bank's interest rate policy and to answer questions about the imminent launch of the euro.

He was quizzed for an hour on the Department of Trade and Industry's "Enterprise Zone" website, in the latest in a series of online "chats" in which small and medium sized companies are given the opportunity to put their questions to leading business figures.

The 7,000 surfers logging on to the interview was the largest number for any of the DTI's online chats so far. More than 100 questions were e-mailed to the governor during the interview. Mr George said the Bank was well aware that the strong pound had hurt several sectors, notably agriculture and manufacturing. But the "unpalatable truth" was that the Bank had to set one interest rate for the economy as a whole. "We have had a strong exchange rate, although happily it has begun to come off a bit now," he said. **Robert Chote, London**

DIGITAL RADIO DEFENCE DEAL

US-linked company selected

Brown & Root Services, a subsidiary of Halliburton of the US, has been selected as preferred bidder for a £350m ($581m) contract for project management of the Bowman programme to provide the armed forces with digital radios.

Brown & Root said it won the competition against four other bidders: Lockheed Martin, IBM, Vosper Thornycroft, and a consortium including Hunting, GKN and Vickers.

The contract, to install an information system in 130 Ministry of Defence buildings and 20,000 sites including vehicles, is being placed by Archer Communications, a consortium including Racal, British Aerospace and ITT Industries. Archer is prime contractor for the £2bn Bowman project. **Alexander Nicoll, London**

LABOUR PARTY AND LIBERAL DEMOCRATS

Blair sees 'no limits' to pact

Tony Blair, the prime minister, yesterday gave his clearest hint to date that his long-term aim is to create a new and dominating force in British politics by combining the "modern social democrat" wings of the Labour and Liberal Democrat parties. However, he faced angry complaints from Labour's left wing that he is reshaping his government without informing parliament.

The prime minister said there were "no limits" to the extent of future co-operation between Labour and the Liberal Democrats. "The Labour party today stands in the best tradition of modern social democracy," he said. "There are also people in the Liberal Democrats who are modern social democrats." In a BBC radio interview, Mr Blair added that the UK "shouldn't be afraid as a country of trying to find better ways of making our politics work" and that he was "not a tribalist in politics".

Robert Peston and George Parker, London

Philip Stephens, Page 12

BLOOD CONTAMINATION FEAR

Banned product still in use

British supplies of a blood product given to 80,000 pregnant women a year are still being used months after they were banned because of the risk of transmitting new variant CJD, the government admitted yesterday. Frank Dobson, chief health minister, claimed a worldwide shortage of the Anti-D immunoglobulin, given to some pregnant women to avoid potentially fatal complications for their babies, meant it had taken longer than expected to get it from non-UK sources following BSE contamination fears.

A ban on the use of British supplies of Anti-D was announced in May by the Department of Health, along with other products manufactured with blood donated in Britain after research suggested new variant CJD – the beef-related human version of Creutzfeldt-Jakob Disease – could be transmissible.

Mr Dobson said he needed "to balance the risks of CJD which are presently unquantifiable with the certainty of death and injury if blood products and transfusions are not available". **Simon Buckby, London**

MILITARY RETAILER

Annual profits up 52%

The Navy, Army, Air Force Institutes (Naafi), which provides retail and leisure services to UK military personnel, is to seek contracts with other military institutions such as Nato and United Nations forces. Naafi yesterday reported a 52 per cent jump in annual profits to £7.9m ($13.1m) Two years ago, the trading organisation was incurring losses of more than £4m.

Geoffrey Dart, chief executive, said the improvement was in part due to links with familiar brand names such as Bass and Scottish Courage. **Peggy Hollinger, London**

Silvana Gismondi (left) with her models Craig Stennett

Charles's fund supports entrepeneurs rejected by banks

Unusual couture business is one of thousands of enterprises created with the help of the Prince's Trust, **Sheila Jones** writes

Fetishist rubber and frocks for transvestites are everyday work for designer Sylvana Gismondi. But would Prince Charles approve?

He probably would. Ms Gismondi's couture business got a start in life four years ago with a loan from the Prince's Trust. The trust, founded by Prince Charles 12 years ago, backs young innovators struggling for start-up funds.

"I knew nothing about business when I approached the trust, I just knew I wanted to be a designer," says Ms Gismondi. The trust accepted her business plan and granted a loan of £700 ($1,160), with an expansion loan of £1,500 two years later. The company makes suits, gowns, party dresses and "fetish clothes, mainly for men buying for their mistresses". The business made profits last year of £7,000.

Of 40,000 companies created with the Trust's help in the past 10 years, 60 per cent have survived beyond their first three years.

"That's a better survival rate than the high-street banks achieve," says David Haxby, who is leading an appeal to raise £2m for the trust's Yorkshire and Humber region in northern England. "Of those who don't survive, half go into full time education or into employment because of the experience they have gained."

It costs the trust an average of £2,300 to start a new business, "a fraction of the cost of [state] unemployment benefit". The Prince's Youth Business Trust awards loans of up to £5,000 for qualifying start-ups and bursaries of £1,000-£1,500. It charges 3 per cent interest, regardless of market rates, and grants a six-month interest holiday on first loans.

"It is funding of last resort," says Mr Haxby. The trust is aimed primarily at the young unemployed with a business idea.

"They may have a limited formal education and not much experience of business life or access to help," he says. "They may be talented, bright, fizzing with energy and determination, but are turned down by the conventional sources of funding."

Five of the Trust's best established businesses in Yorkshire turn over £50m between them and employ 400 people. One of them is The Attik, a branding and graphic design company which began life in an attic 12 years ago. It now has offices in London, New York and San Francisco, and it is opening in Sydney next January. The company made net profits last year of £1m on sales of nearly £5m.

Gameplay, another Yorkshire start-up, was created four years ago by Dylan Wilk, who left school at 17. He sought funding from the banks to set up a mail order computer games business, but he was rebuffed "because they thought I was too young and inexperienced".

The Prince's Trust granted a £2,500 loan. "They thought it was a gamble too because it was an idea that would fly or flop in its first month." It flew. In four years the company has carved out 2.5 per cent of the UK computer games market.

Business mentoring is central, Mr Wilk believes. The trust places experienced managers, who work voluntarily, with start-up businesses and it provides free legal and accounting advice.

BUSINESSES FOR SALE

LEGAL NOTICE

MEADOWCARE NURSING LIMITED

Registered number: 2786681

Trading name: TENDRING MEADOWS NURSING HOME

Nature of business: Residential and Nursing Home

Trade classification: 47

Date of appointment of Joint Administrative Receivers: 6 November 1998

Name of appointor: Barclays Bank plc

DANIEL ROBERT SMITH and MICHAEL JOHN HORE
Joint Administrative Receivers
(office holder nos 8373 and 1630) of
Robson Rhodes, 186 City Road, London EC1V 2NU

CONTRACTS & TENDERS

BANK OF CRETE S.A.
ANNOUNCING A REPEAT PUBLIC CALL FOR TENDERS FOR THE TOTAL ASSETS OF ECON INDUSTRIES S.A.

The Bank of Crete S.A. (15 Voukourestiou Street, Athens 106 71), as special liquidator of the company ECON Industries S.A. established at Amaroussio, Attica, (hereafter " the company") which has been placed under special liquidation as per article 46a of Law 1892/90 by decision No. 7164/1998 of the Athens Court of Appeal

ANNOUNCES

a Repeat Public Call for Tenders, with sealed, binding offers for the purchase of the total assets of the company referred to below:

BRIEF DESCRIPTION

The Company was established in 1969. In May 1997, it ceased to operate and on 22-07-98 it was placed under special liquidation in accordance with article 46a of Law 1892/90. The company's function was the manufacture and sale of engineering, electro-optical and electronic products.

ASSETS FOR SALE

The assets for sale consist of:

1) An industrial complex in the precincts of the municipality of Markopoulo, Attica, on a plot of land about 50,000m2 in area with buildings covering about 3,800m2 and 1,500m2 under construction (concrete panels)
2) An industrial complex in the precincts of the municipality of Spata, Attica, on a plot of land of about 52,800m2 with buildings covering about 4,800m2 with screw and bolt manufacturing machinery
3) The electromechanical equipment of the factory consists of:
   a) A Fitting Shop which contains seventeen (17) CNC tooling machines (milling cutters, lathes, revolving lathes) and nine (9) conventional tooling machines.
   b) An Optical Department which contains optics fabrication, optical coatings and auxiliary measuring and checking equipment.
   c) An Electronics Department which contains equipment for fabricating and checking printed circuit boards and other electro-optical elements
   d) A quality Control Department
   e) A B-class Workshop with small conventional machine tools and equipment for processing metal surfaces and small, non-precision pieces of older technology
   f) Air conditioning installations, electrical firefighting equipment, a telephone exchange and security systems.

Also for sale are the company name, its trade mark, its participations in related companies, any claims it may have and any other element of its assets

OFFERING MEMORANDUM - ADDITIONAL INFORMATION

Interested parties may obtain a detailed Offering Memorandum and any other information on signing a Confidentiality Agreement.

TERMS OF THE CALL FOR TENDERS

1. The tender will be conducted in accordance with the provisions of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 as in force today, the terms contained in the present call for tenders and the terms contained in the Offering Memorandum regardless of whether they are repeated herein. The submission of a binding offer implies the acceptance of all these terms
2. For more complete information on the company for sale, interested buyers may obtain, on signature of a confidentiality agreement, a detailed Offering Memorandum and may ask for any other additional information.
3. In order to participate in the tender, interested parties must submit a sealed, binding offer in writing by Friday, 11th December 1998 at 12 noon, to the Athens Notary Public assigned to the Tender, Olga Fotopoulou-Hadjizaharou at 77 Solonos Street, 6th floor, tel (301) 3617704. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the deadline will not be accepted or taken into consideration. Offers must not contain terms which impinge upon their bindingness or which create vagueness as regards the price offered or method of payment or any other essential point. The liquidating company and the creditors have the right, at their absolute discretion, either to reject offers which contain terms or exceptions, regardless of whether they are higher than others, or to consider these terms as non-written, in which case the offer remains binding as to the rest of its content.
4. Offers must be accompanied, on penalty of annulment, by a Letter of Guarantee from a bank legally operating in Greece, to the amount of two hundred and fifty million drachmas (Drs. 250,000,000) as per specimen letter contained in the Offering Memorandum. This letter of guarantee will be valid until its return to the guarantor bank and will guarantee both the content of the offer submitted and any subsequent improvement to it.
5. The offers will be unsealed by the notary public in her office at 12 noon on Friday, 11th December 1998. Persons having submitted bids by the deadline are entitled to attend the unsealing of the bids
6. Offers must specify the price offered and the time and method of payment. In the event that part payment is to be on credit, the offer must state whether it will be interest-bearing and at what rate, as well as what guarantees there will be to ensure its payment.
7. The following are essential criteria for evaluating the offers:
   a) the size of the offered price
   b) the guarantees for payment of any part on credit and for abiding by the rest of the terms undertaken.
   c) the credit worthiness and reliability of the party concerned.
8. On all points contained in the offers as well as on any other terms that may be agreed upon, the buyer must accept conditions additionally covered by practical or other securities which will guarantee abidance by his obligations.
9. The elements which make up the assets of the company are being sold and will be transferred "as is, where is" and more specifically in their actual and legal condition and at the place where they are situated on the date of signature of the sale contract. The liquidating company, the company in liquidation and the creditors are not liable for any real or legal defects or lack of any particulars of the objects for sale, nor for any imperfect or inadequate description of them in the Offering Memorandum. Interested buyers must, on their own responsibility and diligence and by their own means and expense, look into and form their own judgement of the objects for sale. The submission of an offer implies that the interested parties are fully informed with regard to the actual and legal condition of the objects for sale
10. In the event that part payment is on credit, the present value will e taken into account in evaluating the offer, which will be calculated on the basis of the interest rate in force, at the time of submission of the offer, for Greek Government bonds of one year's duration.
11. In the event that the person to whom the assets of the company under liquidation are adjudicated fails in his obligation to appear at the time and place specified in the liquidator's invitation, in order to sign the relative contract in accordance with the terms of the present Announcement and of his offer, as finally composed, then the guarantee, as above, is forfeited in favour of the liquidator and the creditors in order to cover all expenses of any kind, time spent and real or paper losses sustained, with no obligation to provide proof of such, and consider the amount as a penalty clause and collect it from the guarantor bank.
12. The liquidator bears no responsibility towards participants in the auction, both with regard to the report assessing the offers or to his proposal of the highest bidder. Also, he is not liable and has no obligation to the participants in the auction in the event that the auction is cancelled or declared null and void if its result is deemed unsatisfactory
13. Those parties taking part in the auction and submitting offers do not acquire any right, claim or demand from the present Announcement and from their participation in the tender, against the liquidator or the creditors for any cause or reason.
14. According to para. 13 of article 46a of Law 1892/1990 the sale contract and the necessary transfers accruing from it and any other relative transaction are exempted from taxes, dues or state or third party rights or stamp duties, while the rights and fees of notaries, lawyers, supervisors and mortgagors are restricted to 30%. Any expenses incurred in the sale of the assets (VAT, the fees of lawyers, notaries and mortgagors, judiciary supervisors, etc.) rights and other expenses) are to be borne by the buyer. The present was drafted in Greek and translated into English. However, in the event of differences occurring in translation, the Greek text will prevail.

In order to obtain the Offering Memorandum and for any additional information, interested parties may apply to the liquidator:

BANK OF CRETE S.A. 15 Voukourestiou St., 106 71 Athens, Greece
Tel. (301) 3626301-4. Fax: (301) 3631113 (attn. Mr Z. Kasmarides or Mr. N. Stassinos)
or at the company's installations at
MARKOPOULO, ATTICA
Tel. (30299) 40534. Fax: (30299) 40533 (attn. Mr. Z. Kasmarides or Mr. N. Stassinos)

CONTRACTS & TENDERS

Tender No: 77/31118/4738

Mobarakeh Steel Co. intends to purchase about 500 M/TON WATER TREATMENT MATERIAL

Interested bidders may obtain a set of bidding documents by the submission of a written application and payment of nonrefundable fee of USD 500 in favour of Mobarakeh Steel Co. through Bank Markazi Iran account no: 138

All bids must be delivered to below office before 31/12/98

MOBARAKEH STEEL CO.
15 KMS SOUTHWEST OF MOBARAKEH
P.O.BOX 167
ESFAHAN IRAN
RAW MATERIAL AND ENERGY PURCHASING DEPARTMENT
FAX: 0098 31 327512+324324
TEL NO: 0098 3355 3424 OR 3422

MOBARAKEH STEEL COMPANY

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual grant to enable the recipient to take time to pursue a particular project.

In this, the eighth year of the prize, the theme is:
How many lives can you improve with £5,000?

Applicants, aged over 21, of any nationality, should submit a typed entry of up to 500 words in English, together with a brief c.v., describing a practical innovation that would improve the lives of as many people as possible. Please keep David Thomas's interests in mind when writing the entry and suggest ways in which your project might be evaluated for success after implementation.

The winner will receive a cheque for £5,000 to implement the project, which *might* cover technology, medicine, social policy, scientific, financial, transport or other sectors. The project will be considered for coverage in the Financial Times.

CLOSING DATE JANUARY 8 1999

APPLICATIONS TO:
ROBIN PAULEY, MANAGING EDITOR
THE FINANCIAL TIMES (L)
NUMBER ONE SOUTHWARK BRIDGE
LONDON SE1 9HL

Surprised by the sheer scale of his success: 'Anyone who had predicted what has actually happened would have had to be institutionalised' Ashley Ashwood

BUSINESS BREAKFAST JEFF BEZOS, AMAZON.COM

Billionaire nerd on a bandwidth all of his own

A digital business superstar, he is passionate about his $6bn company. And he keeps vitamins in his socks, says **Lucy Kellaway**

Jeff Bezos, founder and CEO of *Amazon.com*, put his hand in his pocket and pulled out a small plastic bag with five assorted pills in it.

"My vitamins," he announced. A couple of hours earlier these same pills had been inside his sock, having been put there by his wife. For each day that he is away from his home in Seattle she packs a clean pair of socks with that day's vitamins inserted into the toe, thereby ensuring that he never forgets to take them.

"She doesn't want me to die," he said and gave a great whooping bellow of a laugh.

This was a rare glimpse into the home life of Jeff Bezos, one of the new breed of internet billionaires. I had just finished interviewing him over coffee and toast at his hotel in London and had only found out one thing about the man: that he loves *Amazon.com* with an obsessive, almost scary intensity.

But then if you had built up a company from scratch to $6.3bn (£3.7bn) in just over four years you would doubtless love it too. The difference is that you would probably not have had the idea of selling books on the internet in the first place. And if you had, you would not have had the drive, dedication or the dogged determination to have seen it through.

In 1994 Mr Bezos, then aged 30, was doing more than nicely as senior vice-president of DE Shaw, a Wall Street hedge fund firm. He then read something about the tearaway growth of the internet, and packed his life, his wife and his dog into his car and headed out to the west coast to try his luck.

In less than a year the *Amazon.com* web site was open for business, and Mr Bezos was delivering the books himself from his garage.

Now he employs 1,600 people, is by far the biggest book and music seller on the internet, is the darling of Wall Street and part of the new establishment worldwide. *Amazon.com* is still losing money faster than you can say knife, but nobody seems to worry about that.

As corporate folklore goes, this is as good as it gets. Yet Mr Bezos is not interested in wallowing in the myth, but in pushing his company forward.

Does he sometimes wake up in the night and wonder if it is real, I asked him.

"No," he said. "I think it's real." He gave his funny laugh. Does he find the growth surprising?

"Yes. I find it surprising. Anyone who had predicted what has actually happened would have had to be institutionalised." The laugh again.

Despite the gales of merriment I was finding Mr Bezos hard to fathom. He sat there in his grey suit, the very image of the Wall Street banker, with a minder on each side, one of whom was tape-recording the conversation. This was not the free-wheeling, hip corporate style I had read about.

"I believe that when in Rome," he said, explaining his attire. "When I'm in London or New York or Washington DC I wear a suit. When I go to San Francisco I wear a sports jacket. When I'm in Seattle I wear a polar fleece."

He was in London visiting the people at *Amazon.co.uk* and had dropped in to see the Trade and Industry secretary. What did Mr Bezos make of Peter Mandelson?

"He is clearly an *incredibly* smart guy. A very nice guy. It was a wonderful half hour."

I let this pass, and instead switched the subject to *Amazon.com* and its continuing losses. How long before investors get to see their first glimpse of profit? He wouldn't say.

"Any predictions would give a false sense of precision. It's so rapidly changing."

As he spoke he leant forward across the table. His wide brown eyes were fixed on mine, very intense indeed.

I asked about competition. Barnes and Noble, the US's biggest bookseller, is furiously spending money in an attempt to get more of Amazon's market.

"I believe our success will continue only as far as we provide the best customer experience." He was almost whispering now. "That means we have to have the biggest selection! The easiest-to-use web site! The lowest prices! And the best purchase decision information!

"The constraint on our growth is not capital but people bandwidth," he went on.

People *bandwidth*? What was he talking about? More laughter. Not only did he laugh when I had made a joke, he had a disconcerting way of laughing even when I hadn't.

"It's a made-up term. Perhaps it doesn't mean anything to anybody but me. I mean smart people, working hard, passionately and smartly."

Mr Bezos, for all his jargon, does not believe in gimmicks when it comes to motivating people. "What excites them is changing the world in an important and fundamental way. Our motto is: Work hard, have fun, make history."

I looked at his wide staring eyes and found nothing phoney about this passion. His belief in how the business should be done is almost religious. For a start he has dispensed with traditional corporate status symbols.

"When I worked at Bankers Trust people measured their self worth by how many ceiling tiles they had in their office. It was counter productive."

Thus in the HQ of Amazon they all have desks made of old doors and prop up their monitors on phone directories.

"The door desk is a symbol of the fact that we spend money on things that matter to customers!"

As the company expands and his wealth goes into the stratosphere, is his ego in danger of expanding in tandem?

"No," he said, stammering and resisting the turn conversation had taken. "I don't think it matters much. The *biggest change is that I don't* have to look at menu prices any more."

Surely owning 40 per cent of a $6bn business changes one's life rather more than that?

'My dog is named after a minor Star Trek character. I am a nerd!'

"The only issue that arises ... erm ... there are some small privacy issues."

This was going nowhere, so I asked about how hard he works.

"When I was 22 I worked about 80 hours a week on Wall Street. I couldn't do it now. I'm one of those people that requires – *absolutely requires* – 8 hours of sleep a night. Now I typically work about 65 hours a week."

So is he under less stress than before?

"Stress is an orthogonal dimension. Hard work and stress do not go together. What is primarily co-ordinated with stress is your inability to get the job done."

There was a rarefied precision in his answers that showed a technical turn of mind. When he considered himself to have answered a question he stopped dead. And so, at the next such pause, I asked about his own reading habits. "I read three books a month, but I buy 10," he said. *Remains of the Day* by Kazuo Ishiguro is his favourite.

"It's earth changing. For me, it means: Number one – live your life. And number two – It's not too late."

I pulled a face.

"You didn't like it?" he exclaimed. "This is actually a great opportunity to make the case for personalisation technology!" He nearly leapt out of his seat with enthusiasm, and told me that he was working on systems that would help individuals find the precise books that would change the world for them.

"It's a big deal. If you can do that you are creating real value for the world."

Ishiguro aside, what Mr Bezos likes to read is science fiction. "My dog is named after a minor Star Trek character. My watch is updated by the atomic clock 36 times a day. I am a nerd!!" He laughed so hard he leant over sideways.

My time was up. He got up to shake my hand with warmth and vigour, reaching as he did so for the vitamins.

Tuned into his past and the future

As a festival of Henze's music gets under way, **Andrew Clark** discusses the life of the composer as seen through his autobiography

If anyone deserves to be known as the Grand Old Man of German music, it is not Karlheinz Stockhausen, whose 70th birthday passed almost unnoticed, but Hans Werner Henze, the embodiment of his country's musical tradition. Of the two, Henze has always received the readier welcome in the English-speaking world. This week has found him in Manchester, presiding over a festival of his music at the Royal Northern College. It is typical of Henze to be devoting time and energy to the younger generation. And Manchester has rewarded him with a rich survey of his output, including two UK premieres at tonight's concert and the Seventh and Eighth symphonies tomorrow.

The festival coincides with the publication in English of Henze's autobiography, *Bohemian Fifths* (Faber and Faber £30, 509 pages). Educated under the Nazis, forced to serve in Hitler's army and long at odds with his country's musical establishment, Henze has led a tempestuous life, constantly haunted by his own and his country's past. Much of his career has been an attempt to exorcise that past; and his autobiography suggests the process is far from complete.

Henze spent an inordinate amount of his early adult years trying to escape Germany, but the land of his birth provides the leitmotif of his story: German nationalism, German forests, German dissonance. Arriving in Naples in 1953, he rhapsodises about slipping off the shackles of the past, but admits that his music cannot divest itself of "the echoes left in my psyche by all that is German".

This strangely disengaged, rambling account will not make much sense to anyone unfamiliar with Henze's music or the cultural politics of mid-20th century Germany. There is little musical insight, and even less distilled wisdom. *Bohemian Fifths* is not so much a memoir, more a roll-call of names and events, mostly recast from diary jottings – which gives it an oddly constructed quality, like a lot of Henze's music.

The personality which emerges is not unlike two of his operatic creations: one moment he is Mittenhofer (*Elegy for Young Lovers*), narcissistically drawing on others' misfortune for the benefit of his own poetic fantasy; the next he is Prince of Homburg, the incurable dreamer who offends others by breaking their codes of behaviour. Both are self-obsessed, so it is no surprise to find Henze making liberal reference to his own fragile psyche and violent swings of mood, none of which did his early career any good. He seems to have spent his life struggling with insecurity – about his childhood, his wartime service, his sexuality, his outsider status in the German musical establishment.

The personality which emerges is not unlike two of his operatic creations – one moment he is Mittenhofer, the next he is the Prince of Homburg

The calm, collected, civilised septuagenarian we know today still bears the scars. He attacks the doctrinaire powermongers of post-war German music: their "sharp-tongued menopausal spouses were invariably piqued when they noticed that other men did not find them desirable and pursed their lips as they drooled with middle-class malice and laughed uproariously whenever their menfolk regaled them with obscene rhymes that would not have disgraced a rugby-club dinner". This is typical of the verbose, vituperative Henze.

After Italy, England ranks as Henze's second home. Conducting the national anthem before the premiere of *Ondine* at Covent Garden, he feels indebted to the Queen as representative of the nation which "stopped people like me from being gassed or shot while trying to escape". He writes lovingly of Frederick Ashton, gives a Turneresque pen-portrait of fog-bound London, is baffled by Elgar's music and directs some unexpected barbs at Susana Walton, Colin Davis and Glyndebourne.

Italy arouses unqualified affection, though a *Death in Venice* atmosphere pervades the later passages, as visions of mortality mingle with "sybaritic days beneath chestnut trees in flower". The Mediterranean brings out the conflict between the monk and the hedonist in Henze. What he found there was tranquillity – fertile soil for concentrated creativity, and the perfect foil for his hang-ups and hotheadedness. He hero-worships Visconti, displays a curious loyalty to the shamelessly disloyal Nono, and settles down to cultivate his vines.

Montepulciano, the summer workshop he founded in the Tuscan hills, emerges as the most fruitful vessel for Henze's idealism – though even here, there is disappointment when ideals clash with reality. That, of course, is another leitmotif of Henze's story – no more so than when we read his blow-by-blow account of the *Raft of the Medusa* scandal (the Hamburg premiere was disrupted by riot police). In retrospect, there's something ridiculous about the whole episode, but at the time it did Henze untold damage: his naive public remarks caused huge misunderstanding and made him an object of mockery, and one can't help concluding that his political activism was a reckless waste of creative energy.

But anyone expecting Henze's autobiography to be an extended *Wahn*-monologue, like Hans Sachs musing on the follies of this world, will be disappointed. It is neither urbane nor worldly wise – nor is there much recognition that Henze has learned the error of his ways.

There *are* nuggets worth the trawl. Henze is good on his early years, where he has no diary, travelogue or opus numbers to fall back on. The deprivations of childhood are probably exaggerated, but he conjures up the secretive world of imagination he developed. Ordered not to play music after his grandmother's death, his only recourse is to start writing it. He has little or no relationship with his father, who tells him that homosexuals belong in concentration camps.

Germany provides the leitmotif of his story: Hans Werner Henze

War service is a mixture of the surreal, the nightmarish and the farcical. He offers useful insights into German musical life in the 1940s and 1950s, such as the enormous – but hitherto little-known – influence of K.A. Hartmann's Musica Viva concerts in Munich.

Young musicians meeting Henze in Manchester this week will scarcely recognise his self-portrait. Given the quality of his previous writings, and the passion of his best music, he does himself an injustice. But the book does offer a useful warning about composing for the theatre. "Don't get worked up, remain aloof, don't get involved ... It makes not a scrap of difference." In other words, don't do as Henze did.

OPERA BORIS GODUNOV/ENGLISH NATIONAL OPERA

Light shed on dark tragedy

Of the many absorbing stage-pictures in English National Opera's new production of *Boris Godunov*, none is more expressive than the build-up to the coronation. Boris is introduced informally, surrounded by his family in the imperial apartments; the next moment we see him as tsar, paraded before the people like a puppet; only then do we hear his opening arioso, spotlit in a way that makes us privy to his soul. In little more than a flash, the production reveals Musorgsky's dark tragedy as a psychological study of immense breadth and depth.

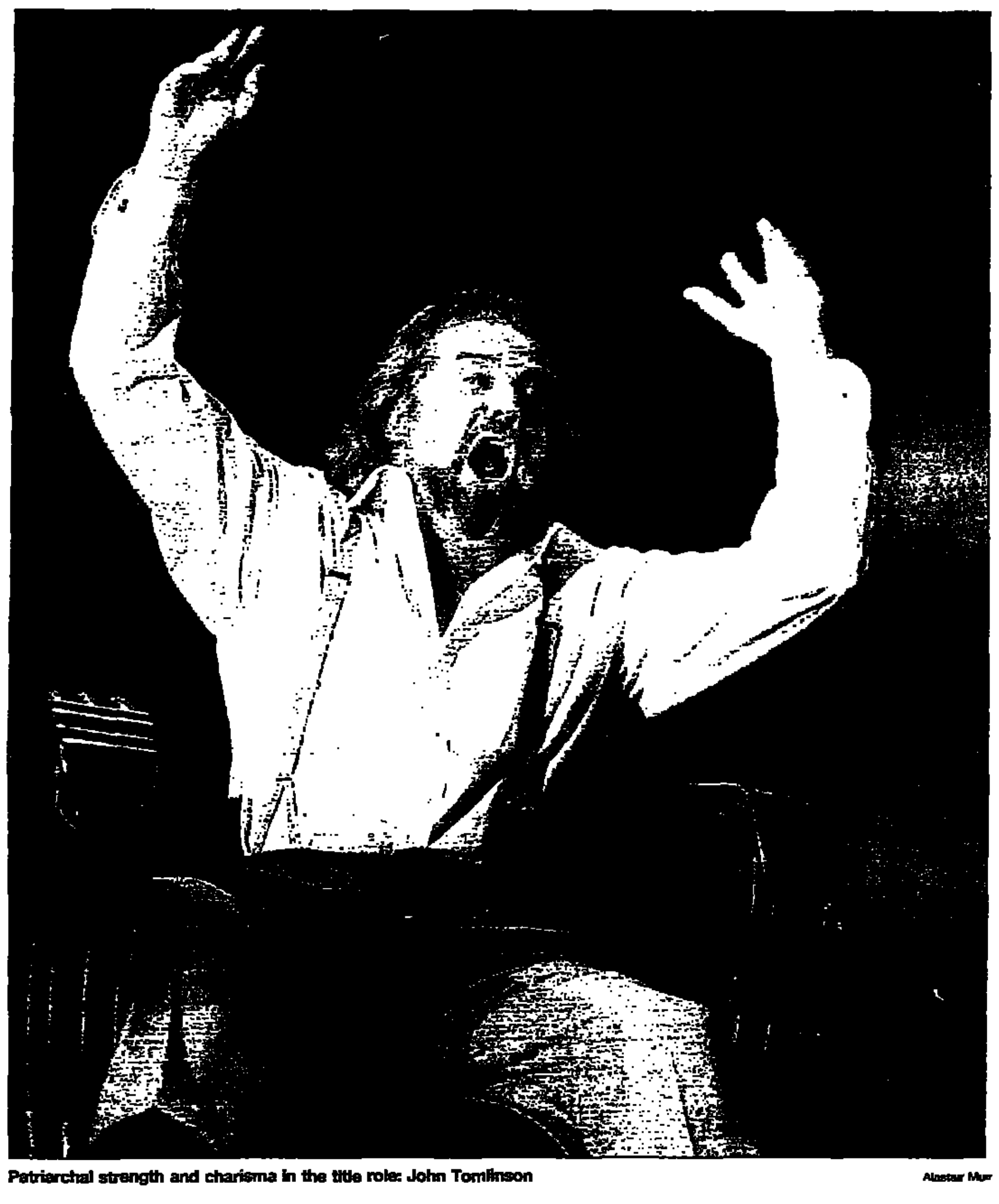
ENO chose *Boris* – and specifically the original seven-scene version of 1869, plus the Kromy Forest finale from the composer's 1874 revision – for all the wrong reasons, namely financial; but Francesca Zambello's staging, conducted by Paul Daniel, succeeds for all the right reasons, namely artistic. It does not tell us everything about *Boris*, but it tells us more than most productions, and does so with a degree of colour, conviction and clarity that ranks alongside Zambello's best work. The symbolism is rich and communicative – no more so than the Simpleton's tender embrace of Boris after refusing to pray for him. And the breathtaking speed of the scene changes gives the drama a rare force and continuity.

The imagery chosen by Zambello and her designers, Hildegard Bechtler and Nicky Gillibrand, is close enough to our own world for us to recognise the characters as flesh and blood, rather than historical archetypes; and yet it remains sufficiently vague to retain the aura of a parable. Boris, boyars and security police are kitted out in Hugo Boss suits and fur-collared coats, like perpetrators of state thuggery in one of the former Soviet republics. But they are surrounded by just enough gold and stylised icons to suggest a larger historical perspective.

Supported by Wolfgang Göbbel's lighting (notably some sky-wide silhouettes in the tumultuous finale), Bechtler constantly surprises us with the resourcefulness of her stage settings. The individual constituents may be primitive – a three-wheel trolley for Boris's throne, a buttressed panel skirting the inn and monastery, a wall of secretive security doors to denote the Kremlin – but they add up to an unusually suggestive ground-base. There's no danger of "bare essentials" uniformity, nor of stage spectacle for the sake of it. Like all the most truthful productions, this *Boris* concentrates on people, with thoughts and emotions we can call our own.

That applies just as much to the chorus, which Zambello organises with virtuoso sleight of hand, ramming home the cruelty and gullibility of the mob. I'm still not convinced of the necessity of the Kromy Forest: it tips the opera's ending away from Boris, upsetting the dramaturgical balance of the original. If you're going to include it, you have to add the other 1874 additions as ballast. Its principal merit here is to give the ENO chorus a scene to themselves, and on this stupendous form (chorus master Stephen Harris), they deserve every ounce of exposure.

A production like this can only succeed if it is crowned by a singer-actor of John Tomlinson's patriarchal strength and charisma. Tomlinson convinces us that Boris is a great-hearted man, trapped by power and tortured by his past, who seeks solace in his children. We see the whites of his eyes, the sweat on his brow; even the strain of his roaring bass in its upper reaches says something about the tsar's crude humanity. Tomlinson's histrionic conviction, above all in his sarcastic asides to Shuisky and tornado-like implosion on the Boyars' council, makes you forget he is singing in English.



Patriarchal strength and charisma in the title role: John Tomlinson Alastair Muir

To ENO's credit, this is anything but a one-man show. John Connell's Pimen is younger and more ambiguous than usual, but sung with clean authority. John Daszak builds on the good impression created by his Dmitry for Welsh National Opera; Robert Tear gives a highly plausible impersonation of Shuisky as puppet-master; and Della Jones leads a merry dance at the inn. Roberto Salvatori and Susan Gritton make their presence felt in smaller roles, but Timothy Robinson's Simpleton is too knowing.

Daniel does not impose his presence in the way some *Boris* conductors do, preferring instead to guide his forces with calm assurance. This pays dividends in the big set-pieces, which have a mighty musical inevitability, but the private scenes could do with a tighter pulse: at Wednesday's first night, the insistent rhythmic figures accompanying Boris's death did not generate the necessary atmospheric tension. Despite that quibble, this *Boris* is a theatrical achievement in ENO's finest tradition.

A.C.

At the Coliseum, London WC2

Fun poked at all and sundry

THEATRE

SARAH HEMMING

Much Ado About Everything
Playhouse Theatre, London WC2

On the stage of the Playhouse Theatre, the tiny Rabbi-turned-comedian Jackie Mason is surveying his front row with the air of an exasperated maths teacher. "Are you getting any of these jokes, Mr?" he says, jabbing his finger at a man in the front row. But it's OK. Mason relaxes into a beatific smile and a trademark shrug of the shoulders. "I don't pick on anyone. It's not in my nature," he rumbles in his dense New York Jewish accent – and proceeds gleefully to pick on all and sundry.

Mason, or Jacob Maza, as he used to be, is enormously skilful, very funny and compellingly watchable. A small square figure striding back and forth on the stage with his stiff gait, he surveys the audience from beneath hooded eyelids that give him the appearance of world-weary wisdom. His guise is that of a man who would far rather not have to make comedy – "I'm not making fun of anyone. It's not in my nature," he protests over and over again – but the world is full of absurdity, so what can he do? He is simply carrying out his duty. "I can't be in good taste and make a living," he shrugs.

His first stop on the first night of his new London run is the tortuous logic surrounding revelations about politicians' private lives, and he is straight onto uncomfortable territory about mixed up attitudes to homosexuality. Mason is not afraid of political correctness. He has spent much of his professional life having his humour criticised for being too Jewish or not Jewish enough. Now, he seems fearless. He will make jokes involving Jews, jokes involving blacks, jokes involving women and jokes involving gays – though none of his material is anti-semitic, racist, sexist or homophobic.

For the most part though, his targets are pretentiousness and pomposity. He hates the overpriced nonsense that accompanies fashion, and has a very funny set about the rooms in expensive hotels, the food in expensive restaurants and the coffee in expensive coffee shops, where you pay a mint for "drinking burnt coffee from a cardboard cup. You drink it in the window and you clean up when you've finished."

The Internet comes in for some stick, too, and, like all comedians, he falls upon the god-given gift of Bill Clinton with relish and gratitude. Again, it's the twists and turns in the logic of the revelations to the grand jury that most amuse him. "If oral sex is not sex, what is it?" he asks, palms upturned in innocent bewilderment. "People are calling up bookers to get their money back."

He reads his audience very well – one had the impression he was on his best behaviour on press night and could be much more dangerous if he felt like it – and plays with his material like a jazz musician. Above all, he is a canny and very funny observer of modern life. But be sure you can keep up with him before you book a seat in the front row.

INTERNATIONAL Arts Guide

ABERDEEN

OPERA
His Majesty's Theatre
Tel: 44-1224-641 122
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Nov 13, 14

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Cinderella: new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama, and the conductor is Peter Ernst Lassen; Nov 13, 17

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Götterdämmerung: by Wagner. Conducted by Christian Thielemann, with a cast including Gabriele Schnaut, Wolfgang Neumann and Esa Ruuttunen; Nov 14

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Christoph Kolumbus: by Milhaud. New staging by British film director Peter Greenaway, conducted by Philippe Jordan; Nov 15

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Ravel and Rachmaninov. With piano soloist Ivan Moravec; Nov 13, 14, 17

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 15, 17

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos, directed here by Peter Watson and conducted by Richard Armstrong; Nov 17

LONDON

CONCERT
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Michael Tilson Thomas conducts a series of works by Stravinsky; Nov 15

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Rambert Dance Company: Cruel Garden, by Lindsay Kemp and Christopher Bruce. Evocation of the life and work of Federico García Lorca, set to music by Carlos Miranda, performed by London Musici; Nov 13, 14

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings the title role; Nov 14

LOS ANGELES

OPERA
L A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Falstaff: by Verdi. Revival conducted by Gabriele Ferro in a staging by Stephen Lawless, with sets by Hayden Griffin; Nov 14

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
Alfred Brendel: recital by the pianist of works by Schubert and Mozart; Nov 17

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Symphony: conducted by Hayko Siemens in Verdi's Requiem Mass. With the Munich MottenChor and soloists including Olga Romanko; Nov 13

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert; Nov 15

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Colin Davis in works by Berlioz, Martin and Mahler. With soprano Inger Dam-Jensen and bass-baritone Thomas Quasthoff; Nov 13, 14

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 14

ROME

EXHIBITIONS
Palazzo del Quirinale
La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Ludovico il Moro travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Nov 14

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Don Carlo: by Verdi. Conducted by Emmanuel Joel in a staging by Emilio Sagi, with designs by Zack Brown. Cast includes Anthony Michaels-Moore; Nov 14
● Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair, with sets by José Varona. The title role is sung by Carol Vaness; Nov 15

STOCKHOLM

EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● In Visible Light: Photography and Classification in Art, Science and the Everyday. Traces the evolution of photography from its anthropological and scientific applications in the late 19th century to works by artists including Andy Warhol and Cindy Sherman; to Nov 15
● The Desiring Eye: 220 works spanning the history of photography, from the 1840s to the present. Includes works by Hill-Adamson, Julia Margaret Cameron, Nadar, Alfred Stieglitz, Man Ray and Berenice Abbott; to Nov 15

TAKAOKA

EXHIBITION
Takaoka Municipal Art Museum
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 19th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; to Nov 15

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
● Tokyo Symphony: conducted by Naoto Ohtomo in works by Mathias, Mozart and Elgar. With flute soloist Emmanuel Pahud; Nov 14

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Opie; to Jan 17

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Fedora: by Giordano. Conducted by Roberto Abbado in a production by Lamberto Puggelli, directed here by David Edwards, and designed by Luisa Spinatelli. The cast is led by Mirella Freni and Placido Domingo; Nov 14, Nov 17

■ TV AND RADIO

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BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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06.30: *Moneyline with Lou Dobbs*
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At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

The goal is set

The destination is Europe and its single currency, the route is flexible. That is Mr Blair's direction

The policy is indeed when rather than if. Close up, Tony Blair is as certain as any politician can be that he will join the single currency. But those in the nation's business community (and in other European capitals) impatient for binding commitments and rigid timetables will be disappointed. Britain's prime minister intends to proceed at his own pace. We have a while yet to wait before he tells us the how.

The misjudgment most often made about Mr Blair mistakes his tactics for his strategy. The prime minister has as clear a sense of strategic ambition as any politician I have ever met. His thought process begins by defining the destination. Look back and you can see that is how he went about remaking his party in his own image. It is how he intends to reshape the wider landscape by forging a progressive alliance with Paddy Ashdown's Liberal Democrats.

Once the goal is set, though. Mr Blair is flexible as to the route. As long as he is travelling in the chosen direction, he is unapologetic about tacking this way or that. Others may chide him for running scared of Rupert Murdoch's europhobic newspapers or for supping with Conrad Black, that Canadian champion of warm beer and little England. Mr Blair doesn't care. Grandstanding is futile. Getting there is what counts. It's big picture politics.

And so it is with Europe. Let's start, as it were, at the end. Mr Blair sees Britain's future embedded in the European Union. There is an umbilical cord tying its economic prosperity and political influence to the rest of the European continent. Taking, say, a 10-year view, the ambition is to see the nation both fully engaged and, just as important this, comfortable in the relationship. No more than common sense, many of you might say. Yet it is a state of affairs never achieved during the past 50 years.

Mr Blair values as much as any recent occupant of his office the transatlantic relationship. But he understands, as did perhaps only one of his predecessors, that the nation's voice has resonance in Washington only for as long as it is also heard across the Channel.

He can take for granted Bill Clinton's friendship. It has not been forgotten in the White House that Mr Blair's support was unwavering even as others wrote Mr Clinton's political obituary.

It is in Europe that he must seek to shape events. Less brash than a year ago, Mr Blair no longer boasts of leading. After some early slips, he has learned that it is better to be listened to than to be loud. His rhetoric will never exactly be modest. But the emphasis is now on partnerships and alliances.

Here resides then the context for his approach to the euro. To Mr Blair's mind, staying out for the duration of the present parliament was practical politics. He is unlikely to change his mind. Going in during the next is essential to his wider political purpose. But to do that he must win a referendum. And he does not intend to risk losing it.

This explains some of the recent confusion about the government's stance. When Peter Mandelson, the trade and industry secretary and the prime minister's roving ambassador in Europe, remarked to industrialists that it was a question of "when" sterling makes way for the euro, he was speaking his master's mind.

But Mr Blair would prefer he had not said it. He was irritated, too, that a similarly upbeat message at the same conference from Gordon Brown, the chancellor, was interpreted as a deliberate shift in policy. As it happens, this had more to do with cock-up than conspiracy. For all Mr Blair's exhortations about the need for what he calls "joined-up" government, these two senior ministers felt it unnecessary to co-ordinate their speeches.

For the time being, the prime minister is sticking publicly with the more ambiguous policy that the government will "first prepare and then decide". He knows the frustration this generates among business leaders. A policy which asks them to prepare in haste while he decides at leisure does not cut much ice with industrialists.

But Mr Blair wants to wait. Two things incline him towards caution. The first is the row between politicians and central bankers in the euro-zone. The refusal of the central bankers to act against the risk of deflation (and the contrast with the interest rate cuts made by the Bank of England) hardly makes this an auspicious moment to harden the commitment to the euro.

More importantly, for all the optimism of the Treasury's forecasts, Mr Blair is as uncertain as the rest of us as to the severity and duration of the coming economic downturn. His principal concern is to protect the government's reputation for sensible economic management. He does not wish to lay himself open to the charge that the euro is merely an escape route from incompetence.

Alongside these two immediate obstacles, Mr Blair sets a wider context for the effort to win over public opinion. The mood for most of the Conservative years was set by images of battles fought and most often lost. Mr Blair wants to draw a new picture of initiatives launched and advantages gained. Hence his proposal to create a new defence dimension within the European Union, a theme he will return to today in a speech on the future of the Nato alliance.

None of this will satisfy those eager for action the day after tomorrow. And there are powerful figures in government pushing for a more robust stance. Some say the publication in January of a national changeover plan for the euro is the occasion to acknowledge publicly that if has become when. Mr Blair has yet to decide.

The risks for the prime minister's strategy, though, lie without as well as within. It assumes that Emu is a static enterprise. We know that it is not. Having created a monetary union, the governments of the euro-zone now intend to add the economic dimension of Emu. Some of the parameters were set out this week in a fascinating lecture delivered to the Centre for Economic Policy Research by Dominique StraussKahn, the French finance minister.

Neither France nor Germany wants a European economic government. Nor do they intend to hand their control of taxation and spending to some new finance minister in Brussels. The open question, though, is how far and how fast will the euro countries move along the road to tighter co-ordination of national economic policies.

Mr Blair is perforce a bystander in this debate. And it does not take much to feed the paranoia of the Eurosceptics. They are already talking of fiendish plots to double the basic rate of income tax. The government will not find it easy to neutralise such hysteria. The mistake Britain has most often made in Europe has been to assume it could determine the pace of events. Mr Blair must take care to avoid repeating it.

LETTERS TO THE EDITOR

Scotland's fragile communities are in need of help

From Mr Anthony Chamier.

Sir, James Buxton's article on land reform in the Scottish Highlands ("New breed of owners makes history in the Highlands", November 11) does not quite say it all.

Those who live on the big estates in north-west Scotland do not have the money themselves to buy the land, nor indeed in many cases the means to live there without continuing subsidy. It follows that someone else has to pay. The someone else may be a wealthy charitable individual, an agency of government (the taxpayer) or the National Lottery. In each of these cases the donor allocates resources that could otherwise be applied elsewhere.

The real question is whether public policy should encourage the large payments involved for the benefit of very small numbers of people living on west Highland estates. Would not the money, charitable or taxpayer's, be better deployed to help larger numbers of people elsewhere who suffer far greater deprivation? In other words, to use a purely Highland comparison, why should a few hundred citizens, living in an enviable environment, receive subsidies on a massive per capita scale when the same money could achieve far more and touch many more people living in the seriously deprived urban areas of north-east Scotland?

There is no defence for irresponsible landlords and many reasons of sentiment why help should be given to remote and fragile communities. But what hard reasons are there for robbing the many who desperately need help, in order to pay very large sums to benefit the few? Your article did not face this, nor so far has the public political debate in Scotland.

Anthony Chamier,
Achandunie House,
Ardross by Alness,
Ross and Cromarty,
IV17 0YB, UK

No surprises in review of offshore centres

From Mr Peter J. Rose.

Sir, In your Private Banking review (November 9) you noted that earlier this year the government announced a review of the regulatory systems of several offshore centres. It is not clear what prompted this, and the government paid no attention at the time to the constitutional sensitivities of the centres in question, but now that Andrew Edwards has completed his review, disappointingly for the government it shows a highly positive picture, not perfect, but more than adequate.

This was no surprise to the local practitioners, who have a far greater understanding of the rules, consequences and ethics of deterring money laundering than their onshore counterparts; it is common knowledge in offshore centres that most money laundering takes place through onshore financial centres. Indeed most of the National Criminal Intelligence Service referrals from Guernsey, Jersey and the Isle of Man result from onshore origins.

Nor was it a surprise that the negative aspects of the report were "leaked" to the press. It may be that the government has an undisclosed agenda, and having failed to prove the point set out to establish that it will now try something else to make life difficult for the offshore centres.

There is a very real danger that business that is currently well regulated, and mostly put back into the City, earning significant profits for the UK economy, will be driven out to less well-regulated centres, and that in the process the government will undo all the work that has gone into virtually eradicating this practice in the offshore centres in question, and damage both the economies of these islands and the UK economy.

This makes no sense. The government should look at and learn from what has been achieved with such a small resource in offshore centres. Then it should put its own house in order. Then it should consider the wider consequences of its actions.

Peter J. Rose,
Le Bourrilet du Val,
Rue du Val,
St Peters,
Guernsey GY7 9LB

Look to US for ECB's new mandate

From Dr Gerard Lyons.

Sir, European politicians and central bankers appear to be on a collision course. Politicians believe price stability has been reached and thus monetary policy should be used to boost growth. By contrast, central bankers are keen to protect their independence.

This unsavoury disagreement contrasts with the US. There, the Treasury department and leading politicians make no comment publicly on interest rates. They are content to keep silent as they know the Federal Reserve's mandate is evenly balanced, to achieve price stability and maintain stable employment conditions.

Perhaps it is time for Europe to learn from the experience of the US. The mandate of the European Central Bank should be changed to one similar to that of the US Federal Reserve: achieving price stability and maintaining stable employment conditions.

In return, this should ensure the silence of European politicians and avoid unnecessary and destabilising public quarrelling.

Gerard Lyons,
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Expect an even Grimmer scene

From Mr Howard Jolley.

Sir, According to page 10 of your November 10 edition, "retailers reported a grimm [sic] month of falling demand and sales during October".

Is there an allusion here to the "Goldilocks" economy? As I recall, the bears eventually arrived on the scene.

Howard Jolley,
Kosti Palama 22,
Ano Voula,
Athens 166 73,
Greece

FSA takes a step, albeit small, towards fairness

From Mr Matthew Harris.

Sir, While agreeing in part with your leader on the potential problems of the Financial Services Authority ("Mr Mighty", November 10), I should point out in its defence that last week Philip Thorpe, the FSA's head of enforcement, announced plans for an "independent internal tribunal" to determine the guilt of alleged wrongdoers.

A separate appeals tribunal will still be in place for use after a punishment has been imposed, but this new tribunal should give the accused a chance to put their case before judgment is made.

Possibly a small step towards the fairness you call for, but a step nevertheless.

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PERSONAL VIEW SEBASTIAN EDWARDS

Abolish the IMF

Now its capital has been replenished, the fund should be split up

The White House and Congress recently agreed a $18bn funding package for the International Monetary Fund. That is the good news. The IMF needs additional resources now, to help countries such as Brazil and Argentina withstand financial turmoil.

The bad news is that the reforms of IMF procedures being discussed as part of this package – less secrecy, and loans with shorter maturity and at market rates – are clearly insufficient, and will not help avert future global crises.

A different era: Harry Dexter White, of the US Treasury (left) and John Maynard Keynes at the IMF's inaugural meeting in 1946

The problem is that the IMF's mandate does not allow it to operate effectively in a world in which private capital flows are dominant, investors' confidence is key, and uncensored and timely dissemination of information is of paramount importance. Michael Mussa, the IMF's chief economist, recently acknowledged that, given the Fund's structure and politics, it would be difficult to implement even President Bill Clinton's modest proposal of precautionary credit lines to countries suffering temporary liquidity problems.

Faced with this reality, two general solutions have been offered. The first is to turn back globalisation, imposing controls on capital mobility. The second is to overhaul the IMF completely – some have talked of transforming it into a world central bank – hoping that it would then be able to cope with the new reality of massive private capital flows.

Both solutions are unsatisfactory. Capital controls are ineffective, induce corruption and are difficult to enforce in democratic systems (it is said that they work well in China, but that is exactly the point). And refitting the IMF would take too much effort and would be too costly.

What is needed is a set of new, small and efficient multilateral institutions. These institutions should provide information and act quickly to avert crises. Moreover, they should reduce moral hazard, and provide incentives for the private sector to eschew unwarranted risks.

Under my proposal the IMF would be replaced by three specialised institutions. The first would be a Global Information Agency, whose only role would be to provide timely and uncensored information on countries' financial health. It would do this early on, when there is still time to implement corrective action. It would rate countries' financial systems, and use modern risk-management techniques to evaluate the fragility of different economies. If there were not enough reliable information, it would say so, alerting investors and driving countries to implement true reforms. Faced with this independent rating body that would speak up freely (in contrast with the IMF's current practice), countries would have an incentive to adopt modern accounting practices, put in place effective supervisory frameworks and avoid dangerous fiscal imbalances.

The second institution would help prevent crises, by playing an active role in the world financial system, rather than a reactive one, as the IMF currently does. This institution, call it the Contingent Global Financial Facility, would provide sizeable contingent credit lines to countries that, although solvent, face temporary liquidity problems. Precautionary credit lines, along these lines, were in fact proposed by Mr Clinton last month. To be eligible for assistance, countries would have to meet some minimum standards of information disclosure and transparency, as well as of economic health. Only countries that have been certified by the Global Information Agency would qualify for these loans. These, in turn, would be for short maturities and would carry relatively high interest rates.

By acting before a crisis erupts – and not, as the IMF usually does, after the currency has collapsed – and by making available sufficiently large contingent credit lines, this institution would help restore confidence before it is too late. This Contingent Global Financial Facility would play the role of an international lender of last resort of sorts. However, by assisting only eligible countries, it would provide the right set of incentives and would minimise serious moral hazard problems.

The third institution – call it the Global Restructuring Agency – would be in charge of "clean up" and would deal with those countries that, in spite of every effort, run into a crisis. It would help countries restructure their debts and would provide funds under conditionality.

In order to minimise the co-ordination problem associated with major crises, this agency would be allowed to call for a "cooling-off" period – not too different from the Chapter 11 bankruptcy protection in the US for companies – that would give creditors and debtors time to work out an orderly debt restructuring.

These proposals raise a number of important questions, including staffing and funding. The problems, however, are more apparent than real. Under this plan the IMF would be abolished. The new institutions could be partially staffed by current IMF professionals. Other experts, however, would have to come from the private sector.

Initial funding, on the other hand, would come from transferring current IMF, as well as some World Bank, assets. Additional funding for the Contingent Facility would have to come, however, from pledges from the Group of Seven leading industrial countries. Additionally, issues related to co-ordination, governance and accountability would have to be addressed before these institutions begin to operate.

Of course, implementing a reform along these lines would not be easy, as there are many political interests tied to the current system. The US Treasury would object. So would the current international bureaucracy.

However, unless we think radically, we will be unable to build an international monetary system that will allow all countries in the world to enjoy the benefits of globalisation, at the same time as avoiding its major drawbacks.

The author is a professor of international economics at UCLA's Anderson Graduate School of Management

FINANCIAL TIMES

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Friday November 13 1998

Saddam must be deterred

It looks as though the cat-and-mouse game Saddam Hussein has been playing with the United Nations for the past seven years is coming to an end. Unless the Iraqi leader resumes co-operation with UN weapons inspectors, the US will attack Iraq, probably within days.

Unlike the last crisis in February, this time there has been little build-up. That stand-off was resolved through a deal between Mr Saddam and the UN secretary general, with Iraq pledging unfettered access for inspectors, and the west promising to reward Iraqi compliance with an end to the international oil embargo.

As almost everyone believed he would, the Iraqi despot has welched on that deal, even though Washington partly provoked this by insisting sanctions should stay until Mr Saddam goes. Yet the fact remains that this is the fourth crisis he has engineered in 12 months. The credibility of UN attempts to contain him would not easily survive another military build-up followed by a backing-off.

What is less clear is what another round of cruise missile and air strikes can achieve, or what policy options will remain once the bombing stops – particularly given the risk of an anti-American backlash in the Arab and Moslem world.

Since the end of the Gulf war, the international community has tried to contain Mr Saddam through sanctions and weapons inspections, backed up by military force or the threat of it when Baghdad has tried to break free.

Unscom, the UN inspection team, has been a qualified success, ridding Iraq of more weapons of mass destruction than were destroyed by 40 days of allied bombing during the Gulf war. Sanctions, by contrast, have devastated Iraq and its people while leaving the Saddam regime firmly in power. Indeed, Mr Saddam's ability to withstand periodic attack – by a US whose standing among even its Arab friends has sunk because of Washington's support for Israel in the regional peace process – has enhanced his prestige.

The US appears to have concluded that the usefulness of Unscom – obstructed by Iraq for the past year and also compromised by revelations of its reliance on Israeli intelligence – is over. Indeed, the inspection process has become the tool with which Baghdad mounts its periodic challenges to the UN.

In deciding what to put in its place, the west should remember its prime objective, which is to prevent Iraq from threatening its neighbours. That implies a strategy of cold war-style deterrence, whereby if Iraq attempts aggression it risks proportionate retribution.

Mr Saddam has been deterred before. Unequivocal threats of massive retaliation stopped him using chemical weapons against the allies in 1990-91 – although he had previously used them against Iran and on the Kurds.

It is hard to see what alternative the US now has to military action. But any bombing campaign should be carried out within this framework of deterrence. It should be clearly limited to the Iraqi regime's military infrastructure. To be politically credible, moreover, it should be accompanied by a review of sanctions to ensure their effects are concentrated on Mr Saddam and his henchmen – and not on their victims.

FOMC dilemma

The members of the Federal Open Market Committee are paid to steer a steady path for the US economy, balancing inflation against growth. But at its meeting next week, the FOMC must also deliberate on a financial trade-off, between fears of a credit contraction in US capital markets, and worries about stoking a bubble in equity markets. So far the Fed has done a good job. To continue to do so, it should leave rates unchanged.

US performance continues to impress. With the economy in the eighth year of expansion, inflation remains nowhere to be seen. The economy is set to slow next year, as sombre manufacturing surveys, labour market trends and a growing trade deficit have signalled. The National Association for Business Economists yesterday forecast a slowdown from a growth rate around 3.6 per cent this year to 2.1 per cent in 1999. This is remarkably similar to the Fed's own forecast from last July – before the Russian default and the Long-Term Capital Management debacle.

This remarkably unchanged outlook is largely the result of the Federal Reserve's pre-emptive action. It has demonstrated its determination to avoid a slow down, by responding to fears of credit contraction with two interest rate cuts, last month, of a quarter of a per cent – one at an emergency meeting.

With US companies more dependent on capital markets than on bank lending, the evaporation of liquidity could tip the economy into recession. So far, the Fed appears to have done the trick. Financial markets are stabilising, and – in the absence of more bad news – credit conditions will continue to ease.

The Fed's actions may have been almost too comforting. The concern is equity markets. Together with more positive developments in international policy-making, the expectation of further rate cuts has brought a return to heroically optimistic valuations. These may be hard to sustain as output slows. The Fed was no doubt pleased with the equity correction over the summer. But this has now been all but reversed.

Overvalued asset prices have long posed a bigger threat to economic stability than consumer or producer price inflation. The risk of a return to such conditions must be set against that of a credit contraction. The Fed has to achieve a fiendishly difficult balance. The best it can now do is leave interest rates on hold.

Malaysia on trial

Asia-Pacific leaders arriving in Malaysia this weekend for their annual summit will find the country in a sorry state. And much of the damage has been wrought by their host, prime minister Mahathir Mohamad.

Not only has Dr Mahathir placed the economy in further jeopardy by imposing controls on short-term capital movements while dawdling on fundamental economic reform and encouraging banks into another spree of reckless lending. He has also authorised criminal charges of sodomy and corruption against his former finance minister, Anwar Ibrahim, who was becoming a serious political rival.

The circumstances of Mr Anwar's arrest and trial have provoked an avalanche of negative publicity, upset Malaysia's relations with other countries, and raised deep worries at home about the behaviour of the police.

Alarm is warranted not just because the arrest was under the draconian Internal Security Act, which allows internment without trial, and was wholly inappropriate to the crimes with which Mr Anwar was charged. There was also his appearance in court suffering from an unexplained black eye and other injuries.

Moreover, Dr Mahathir initially made little secret of his belief that Mr Anwar was guilty. This assertion on a case in progress would not be tolerated in other jurisdictions. Worst of all, evidence at the trial has revealed that the police routinely intimidate witnesses, while a senior officer has admitted that he would lie under oath if his superiors instructed him to do so.

While the trial continues, it would be premature to make a final judgment on either its outcome or the quality of its justice. At least there has been no attempt so far to suppress evidence in Mr Anwar's favour.

Still, what is already revealed about the action of the authorities goes far beyond the limits of tolerance in a civil society. If they have the best interests of Malaysia at heart, Dr Mahathir's guests must not let their presence in Kuala Lumpur serve as an endorsement of such an unfair and brutal process. Rather, they would do better to advise him quietly that the political and economic course on which he is embarked will lead only to havoc.

If it turns out that he can no longer deliver stability or prosperity, he will have to resign. It would be better if he went quickly while there is still room for an orderly transition.

Slipping on a banana skin

US-EU trade frictions are in danger of running out of control, fuelling protectionism on both sides and destabilising the world economy, says **Guy de Jonquières**

At first sight, the ill-tempered conflict that erupted between the US and the European Union this week over trade in bananas has the surreal logic and comic implausibility of a Marx Brothers script.

US President Bill Clinton's administration is threatening, in the name of free trade, to impose punitive retaliatory sanctions on European exports, because of EU barriers to trade in products that the US does not export.

The EU, in turn, is piously defending its policy as enlightened development aid, even though it discriminates against bananas from poor Latin American economies, several of which have recently been devastated by hurricanes.

And all this is happening just as Washington and Brussels are putting the finishing touches to plans for closer economic co-operation; co-operation that may be vital if these two, the only large parts of the world economy still growing, are to increase world trade and help pull the others out of recession.

So what on earth has gone wrong? Is the US-EU confrontation over bananas a passing squall – or an ominous warning of much bigger trade storms to come? And could any good possibly come out of it?

The answers are troubling, though not entirely bleak. The World Trade Organisation may yet adjudicate successfully in the dispute. That could set an important precedent that would strengthen the body's authority to lay down the law in the future.

Tougher enforcement of free trade rules would be particularly valuable, as industries on both sides of the Atlantic seek protection from a surge of cheap imports from troubled economies in Asia and Latin America.

But it remains uncertain how firmly these demands will be resisted, even if WTO disciplines are beefed up. Many observers fear the US and EU could yet succumb to creeping protectionism. Since they are the only regions of growth and stability, such action would jeopardise other countries' recovery from financial crisis.

These problems may seem worlds away from a conflict over bananas. Yet the circumstances in which it arose look suspiciously like a symptom of deeper strains in US-EU relations, which may frustrate efforts to tackle global economic turmoil.

Washington and Brussels have sparred for years over the EU banana regime. This guarantees privileged market access for exports from former British and French colonies in Africa, the Caribbean and Pacific, at the expense of cheaper Latin American fruit.

Last year, a WTO disputes ruling upheld a US complaint that the regime discriminated unfairly against American banana distributors, such as Chiquita Brands. Although the EU is modifying the regime, the US says the changes do not do enough to satisfy WTO requirements.

Just before last month's Congressional elections, American frustration boiled over. After intense lobbying by Chiquita, Congress came close to passing legislation providing for retaliatory sanctions on EU exports.

To head off the proposals, the White House decided to draw up trade measures of its own. Some observers thought the move would be shelved soon after the Democrats' good showing in the election. But this week, the US showed it meant business by publishing a preliminary list of European exports liable for sanctions.

The US insists it is entitled to act if the EU does not comply with the WTO judgment by January 1. The EU says the US is taking the law into its own hands, and it will challenge the proposed measures in the WTO.

At the core of the conflict lies a genuine legal conundrum. Although the WTO's appellate tribunal, which gives the final rulings in WTO disputes cases, ruled against the EU banana regime, it did not say how it should be amended. Some trade officials think the tribunal fudged the issue, in the hope of averting a head-on clash between the WTO's two biggest members. If so, its diplomatic finesse merely delayed the explosion.

The tribunal has also used ambiguous language when condemning other politically sensitive trade barriers, such as Canada's restrictions on foreign magazines and the EU's ban on hormone-treated beef. Divergent interpretations of such decisions make them increasingly hard to enforce.

Still, the bananas dispute offers an opportunity to reduce the muddle, provided the US and the EU agree to ask the WTO to clarify its judgment. At present, they differ widely about the procedures for doing so. But they may yet decide to step back from the brink.

One reason for thinking so is that failure to do so could undermine the entire WTO disputes settlement system. Another is that the US has staged last-minute withdrawals from bitter trade brawls before.

It last threatened unilateral sanctions against another WTO member in a dispute over Japan's car market three years ago. When Tokyo stood firm, Washington settled for little more than cosmetic adjustments to Japan's vehicle regulations.

However, that dispute was set in a very different context from the current one. The world economic situation today is far more fragile, and the risks that it will be destabilised by trade frictions much greater.

Furthermore, US-EU relations had seemed, until now, to be on the mend, after showdowns over issues such as the US Helms-Burton anti-Cuba law.

The new spirit of transatlantic co-operation is being tested – and not just by bananas

Both sides agreed their fundamental relationship was too important to be put at risk by trade quarrels and resolved to work closely to prevent them.

But the new spirit of transatlantic co-operation is being severely tested – and not only by bananas. The US and EU have recently resorted to bitter recriminations about other issues, notably their responses to the global economic crisis.

At a meeting of American and European business leaders in North Carolina last weekend, senior US officials, led by vice-president Al Gore, harshly criticised the EU for not doing enough to increase demand and open its market to Asian imports.

Visibly shaken, EU representatives denied the accusations. But whether or not the accusations were justified, they appear to reflect growing frustration and nervousness in Washington on at least three counts.

The first is the belief that Europe is stifling growth by soft-pedalling economic deregulation and the restructuring of such sectors as cars and steel, where import curbs are helping to preserve excess capacity. "The Americans are saying their industries took the pain by restructuring in the 1980s, and now it's Europe's turn," says one official.

The second reason is US concern that a sharp rise in its trade deficit and a slowdown in its growth rate next year will fuel protectionist pressures in the new Congress, few of whose members know, or seem to care much, about international trade issues. Some in the EU fear the US is trying to make it a scapegoat for such a backlash.

Finally, Mr Clinton is under pressure to repay US steel unions for supporting Democratic candidates in last month's elections by meeting their demands for curbs on steel imports. US steelmakers have filed anti-dumping complaints against Brazil, Japan and Russia. But it is uncertain whether the US International Trade Commission, an independent federal agency which decides dumping cases, will find in the industry's favour. That has prompted Mr Clinton's advisers to consider other, unspecified types of trade restriction.

The outcome is shaping up as a watershed. If US steelmakers win protection, that risks setting off a round of similar demands from others. The European steel industry recently decided to file complaints against competitors in Africa, Asia and eastern Europe.

US chipmakers have already brought dumping complaints against Taiwan, while US apple growers, who have been devastated by a slump in world market prices, are considering similar action against China.

It has long been clear that pressures for protection would focus on anti-dumping policy, because it is one of the few forms of trade restriction permitted under WTO rules. Although it is governed by some WTO-imposed constraints, its practice has been widely criticised as arbitrary and elastic.

Recently, the critics seemed to be gaining ground in the EU, where a slim majority of member governments has repeatedly rebuffed European Commission attempts to impose dumping duties on cotton fabric from Asia and the Middle East.

However, it is unclear how firmly resistance will hold up if European economic recovery falters, and the US begins to close its markets. Much may also depend on whether the new German government's taste for intervention leads it to question its country's traditional role as a champion of free trade.

The danger that things could run out of control is all the greater because developing countries have recently become active users of anti-dumping, bringing more cases than industrialised economies in most years since 1993. If the EU and US step up actions against other parts of the world, they may face retaliation.

That prospect has added urgency to arguments by Renato Ruggiero, head of the WTO, that the best way to head off protectionism is to renew efforts to free trade. That logic has prevailed before: the Uruguay Round trade talks were launched in the mid-1980s partly in response to fears of a global economic slowdown.

So far, however, WTO members' enthusiasm for an ambitious trade round appears limited. The question now may be how much protectionist pressures have to increase before governments start to view liberalisation as their economic salvation.

OBSERVER

Signs on life on Planet Hollywood

Another change of script at *Planet Hollywood*, the star-studded restaurant chain that's long on ketchup and short on profits. A $10m third-quarter loss is only the latest disappointment from the outfit that long ago lost the plot. So down steps chairman Keith Barish, the 53-year-old movie producer and Planet co-founder. And a warm Hollywood welcome, please, for a strategy based on cost cutting and soon-to-be-revealed relaunch.

The departure of Barish, the man behind celluloid feasts such as *Sophie's Choice* and *Ironweed*, shouldn't make much difference to the company's day-to-day management. The big noise down at Florida HQ is British-born chief executive Robert Earl, who makes up with enthusiasm for his lack of number-crunching skills. This summer, Earl recruited Bill Baumhauer, a 20-year veteran of the Fuddruckers chain, to help with the serious business of running profitable restaurants.

No one is sure what the promised relaunch will bring. But it's going to take more than a fresh coat of paint and a few new movie stars to pep-up the Planet Hollywood stock price. In the wide-eyed days of 1996, the newly-listed shares hit $26. Today they look about as healthy as deep-fried chicken strips, trading at a shade over $3.

Not everyone is writing off Planet Hollywood as the investment equivalent of a bad meal. Saudi Prince Al Waleed, a man with billions to spend and an eye for a bargain, plans to increase his stake in Earl's eateries from 5 per cent to 16 per cent. Not a man to be impressed by glitz and glamour, the prince is buying 10m shares from Singaporean property developer Ong Beng Seng at $4.50 a shot. Another inspired stroke of bargain-basement investing – or the prelude to a nasty bout of indigestion?

Sold short

You'd have thought Thai investors would have learned a few lessons from the economic crisis that ended the dreams of many a would-be tycoon. But the hunger for a fast buck is, it seems, as prevalent as ever.

Retail brokers in Bangkok have been ordered by the stock exchange to limit same-day trades – buying and selling the same stock on the same day – to 20 per cent of their total volume. All part of a drive to discourage the common practice of "ramping" company share prices.

Turns out that this year's healthy bounce in stock prices has encouraged a new wave of market speculation by Thailand's army of small investors. In fact, anything up to 80 per cent of all retail trades in recent months have been same-day transactions. Please, turn down the volume.

Oskar victor

Oskar Lafontaine, Germany's waistcoat-wearing finance minister, is interested in becoming Pope. At least, that's what he said yesterday in response to speculation that he's being touted as a replacement for Jacques Santer at the top of the European Commission.

The idea of elevating the former Social Democrat firebrand has, according to some reports, already been floated under the noses of the French, although Bonn denies it. But the man himself didn't actually volunteer a definitive denial. Beyond his pontifical aspirations, he would only venture: "Rumours are always rumours and speculation."

Pest control

The residents of Budapest's *southern* suburbs were looking forward to the opening of the Hungarian capital's new metro line. But suddenly the promise of a swift and shiny trains has been taken away. Hungarian prime minister Viktor Orban says the project, financed by a whopping loan from the European Investment Bank, is too expensive. He's got the whole country to think about, he says, and simply can't justify the expense.

Budapest mayor Gabor Demszky thinks considerations other than cost are at work. Could it be sour grapes, he wonders, because Budapest didn't vote for Hungary's governing parties in local elections last month? Instead the city voted to stick with its Socialist-Liberal council.

Demszky points out that Orban's government is happy to blow $1bn celebrating 1,000 years of statehood in 2000. So how about a few bob for the hard-pressed burghers of Buda?

Beached

Stuck for a summer vacation spot? Then pop along to the World Travel Market in London this week where you can learn all about sandy South Pacific atolls or pony-trekking trips in Nepal. But how about something completely different – a couple of weeks in sunny Serbia?

The national tourism organisation concedes that Kosovo may not be the most attractive destination at present but it insists Serbia has plenty to offer, from skiing in Kopaonik to the cultural attractions of Belgrade. Slobodan Cerović, minister of tourism, will be in town on Monday to help with the hard-sell. Give the man a medal.

The Financial Times

50 years ago

Truman Calls For New Programmes
Washington, Nov. 12. All U.S. Government Departments and Agencies have been requested by President Truman to prepare programmes by the end of November, including proposals for legislative action for the coming year. After trimming by the Budget Bureau, these will form the basis for the President's messages to Congress in January on the state of the Union, the economic prospects and the Budget. Technical experts are discussing the rival merits and disadvantages of a restored excess profits tax or of a higher corporations tax as a revenue producer.

German Textile Workers
Manchester, Nov. 12. The International Federation of Textile Workers' Associations, the thirteen-nation body with headquarters at Manchester, has agreed to allow the reaffiliation of textile organisations representing 100,000 German operatives and 60,000 Austrian operatives. Their connection with the Federation was severed by the Nazis' rise to power.

FINANCIAL TIMES
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THE LEX COLUMN

Fiscal fatigue

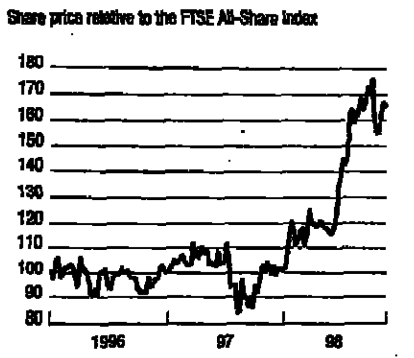
Japan is clearly suffering severe "fiscal stimulus" fatigue. Yesterday the ruling party announced a planned Y18,000bn package, some 3 per cent of GDP, and the stockmarket fell 2½ per cent. Admittedly prime minister Keizo Obuchi flagged the outlines of the package some time ago. Even so, investors' cynical response is a sobering reminder of the mountain he has to climb.

It is difficult to be sanguine. Even the enormous sums involved may not meet the challenge. The Ministry of Trade and Industry has highlighted a Y20,000bn gap between supply and demand. Collapsing corporate profits are squeezing private sector investment, while rising unemployment will curb consumer demand. Nor will a slowing world economy allow trade to come to the rescue.

The good news is that the authorities appear to be past the denial phase. In addition to the package, the government is stepping up public sector loans to companies and the Bank of Japan is injecting more liquidity into the economy, including allowing the overnight call rate to fall to 0.15 per cent. In the current climate, almost any effort to stimulate demand appears legitimate. These measures will at least help offset deflationary forces, even if they are insufficient to generate a self-sustaining recovery.

That will require an upturn in consumer confidence. Alas, the current government appears unlikely to do the trick. Just as important, of course, is that Japan acclerates supply-side restructuring initiatives. Without success, the economy will struggle even to meet the OECD's measly forecast of a 1¼ per cent medium-term growth rate.

BT
Share price relative to the FTSE All-Share Index



Source: Datastream/ICV

US life insurers

With much of the US life insurance industry still in private hands, this week's flotation of MONY, formerly the Mutual Life Insurance Company of New York, offers two useful insights.

First, the 25 per cent jump in MONY's stock in its first two days shows an initial public offering is possible even in difficult markets. Investors are being attracted to the life companies' low economic sensitivity and expected double digit earnings growth. This should provide encouragement to the dozen or so mutuals thinking of going public, including giants like the Prudential of America and John Hancock.

But MONY's strong debut is also a product of its low initial valuation. MONY's shares were priced at just 70 per cent of book value amd 12 times next year's expected earnings. This is a substantial discount to quoted US life insurers, which are trading at up to two times book value, not to mention banks – even after its recent woes. Citigroup is still valued at 2½ times book.

Partly this reflects a much less "liquid" market in demutualisations than in, say, the UK where they are more common. Partly it reflects MONY's derisory 6 per cent return on equity. But either this will improve as the group cuts costs and tightens management. Or a bigger European or US rival will buy itself a bargain. For investors, this is the real lesson of this IPO.

British Telecommunications

British Telecommunications has made progress in investor relations since it lost last year's battle for MCI. But there is still room for improvement. The big strategic question remains: how is it going to deploy its formidable cash flow? Yesterday's marginal increase in the rate of dividend growth – from 6 per cent to 7 per cent – will barely dent this. Not only is BT's net debt of £526m a meagre one per cent of its market capitalisation; the group is generating close to £1bn a year in net cash flow after dividends but before acquisitions.

BT's argument, of course, is that it has many growth opportunities. And there is truth in this. The company is investing £300m a year in continental Europe. It has recently opened a front in Asia – buying stakes in Malaysian and South Korean companies for £500m. Its international joint venture with American Telephone & Telegraph could also require extra spending.

Even back at home, BT may find ways of stepping up investment profitably – in interactive services and the next generation of mobile communications. Moreover, at a time of global market volatility, a strong balance sheet could allow it to snap up assets on the cheap – as it has in Asia.

With such options, shareholders should be sympathetic to BT's inclination to reinvest its cash. But to get investors completely on side, the company should spell out in more detail how the money will be spent and how it will add value.

Zeneca

It is good to see Zeneca refining its business portfolio instead of clinging to whatever ICI bequeathed to it. This is especially so in the light of the bid speculation that tends to attach to the smallest of the UK's trio of international drugs groups. The non-core speciality chemicals business could be seen as a minor bid deterrent.

Zeneca has, however, been a little slow to put the business on the block. A frenzy of deals in the speciality sector appeared to reach its apogee earlier this year with Ciba's purchase of Allied Colloids for nearly three times sales. At least Zeneca's management has not been wasting time. The division has been stripped down to higher-value activities, with operating margins improving from less than 7 per cent in 1996 to 11 per cent in the first half of this year. A target of 15 per cent-plus looks within reach, in line with the goals set this week for the Ciba/Clariant merger.

With sales of about £740m at the businesses being sold, Zeneca will hope for the best part of £1.5bn. This should help it accelerate investment to plug a post-patent gap in 2002. Its price:earnings ratio of more than 25 times 1999 profit forecasts certainly looks easier to justify.

Chinese death sentence raises legal fears in HK

By Louise Lucas in Hong Kong

Fears over Hong Kong's legal autonomy were revived yesterday after a Chinese court sentenced a gangster known as "Big Spender" to death for kidnapping and arms smuggling.

The Hong Kong government, which has come under attack from legal circles for failing to exert its jurisdiction, will not ask for Cheung Tze-keung to be returned from Guangzhou, where the trial took place. Cheung's family and lawyers had also petitioned to have him tried in Hong Kong, where there is no death penalty.

Ivan Tang, Cheung's lawyer, said yesterday that it was a contravention of the Basic Law for mainland courts to try Hong Kong people for offences carried out in the territory. The Basic Law underpins the "one country, two systems" concept that promises Hong Kong autonomy under mainland rule.

In spite of this breach, Mr Tang said: "The Hong Kong government just sits there and lets China do everything. Officials of the Hong Kong government have allowed 'one country, two systems' to be killed."

Cheung was arrested this year on the mainland, where he had taken refuge.

The Hong Kong government says that his crimes were partly committed across the border and so the mainland courts had the right to try him. Cheung is to appeal.

Mr Tang's sentiments have been echoed by other lawyers not directly involved in the case. The Hong Kong Bar Association has also joined the debate. Ronny Tong, its spokesman, said the government's failure to seek the return of Cheung could send out false signals.

"This may give people the false impression that the judiciary and the rule of law in Hong Kong is somehow subordinate to that of the rest of China," he said.

Similar cases are pending, and while the government has agreed to accelerate talks with the mainland over an agreement on fugitives, this may come too late for another accused, a *feng shui* master charged with poisoning five women in a Hong Kong flat.

The man fled to China, where he was promptly arrested.

Few observers were allowed into the Guangzhou court during the trial of Cheung and his gang members, but speaking after yesterday's sentencing, court officials confirmed the identity of the tycoons who were the main victims of Cheung's plot.

They are Victor Li and Raymond Kwok. Mr Li is the eldest son of Li Ka-shing, one of the territory's richest property developers. Mr Kwok's wealth also comes from property.

Neither family reported the kidnappings to the Hong Kong police, which is one reason Cheung was never arrested in Hong Kong.

Mr Li's family paid a ransom of HK$1.38bn ($178m). Mr Kwok had a longer incarceration but, ultimately, a lower price for freedom of HK$600m. The swifter retribution meted out across the border highlights China's desire to stamp out organised crimes in Hong Kong and Macao, the Portuguese enclave that returns to Chinese rule next year.

Japan's markets unimpressed by latest stimulus package

By Gillian Tett in Tokyo

Japan's ruling Liberal Democratic Party yesterday unveiled its largest ever stimulus package, but markets slumped as traders viewed the plans as too timid to pull the country out of recession.

The package, the latest in a series of "emergency" measures adopted over the past year, will total about Y18,000bn ($150bn), including Y7,000bn of income and corporate tax cuts to be implemented early next year, the LDP said.

This sum is equivalent to about 3 per cent of Japan's gross domestic product and exceeds the previous Y16,700bn stimulus package, being implemented in the current fiscal year ending in March, 1999.

However, the Nikkei index of 225 leading shares fell 2.45 per cent to close at 14,075.06. The yen closed at about Y123 in Tokyo markets, near its weakest levels in recent days.

Cameron Umetsu, economist at Warburg Dillon Read said: "The only surprise in this package is the Japanese government's ability to undercut the already low expectations. Yet again this is too little, too late."

The negative reaction partly reflected the similarity of the Y18,000bn package to pledges that Keizo Obuchi, Japan's prime minister, first made this summer in the election campaign for the Upper House of parliament. Mr Obuchi then promised about Y10,000bn additional spending and more tax cuts in fiscal 1999, to replace and extend the temporary tax cuts of fiscal 1998.

Consequently, yesterday's draft package contained Y7,000bn of corporate and income tax cuts scheduled for next April. It also included Y10,000bn of funds to boost public infrastructure, of which about Y6,000bn is estimated by economists to be new spending. The controversial Y700bn scheme to distribute shopping vouchers to part of the population is also included.

Some economists hope the government might add further measures on Monday, when the LDP formally adopts the draft package. However, Hiromu Nonaka, chief cabinet secretary, yesterday appeared to dash hopes that the LDP would bow to opposition demands for a cut in the 5 per cent consumption tax. "We are not at the stage where we will lower or suspend the sales tax," he said.

Nevertheless, in a hint that it is seeking alternative policy tools, the government yesterday pledged to increase sharply public sector loans to the corporate sector, via groups such as the Japan Development Bank. The JDB is preparing to make a loan of up to Y100bn to Nissan Motor, the country's second largest car company.

The Bank of Japan yesterday let the overnight call rate, the key money market rate, fall to a record low of 15 basis points (0.15 per cent) from the 20 basis point level prevailing last week. This is lower than the 25 basis points that the Bank pledged to target when it loosened monetary policy in the autumn. It implies that the Bank, whose independent policy board meets today, may be seeking more drastic measures to boost demand.

See Lex

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Net gain: Eddie George, right, governor of the Bank of England, takes part in a question-and-answer session on the internet. Page 8 Reuters

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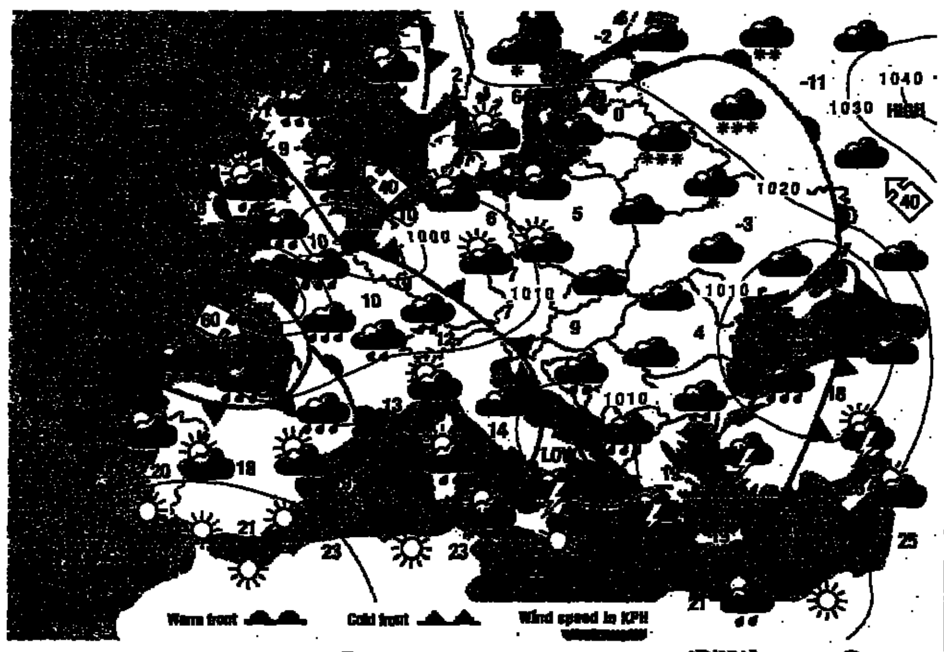
FT WEATHER GUIDE

Europe today

Scandinavia and much of eastern Europe will continue cold. Northern Scandinavia, eastern parts of the Baltic countries and western Russia will have outbreaks of snow. The rest of eastern Europe along with Denmark, southern Norway and Sweden will be largely dry with some wintry sunshine. Italy and the eastern Mediterranean will have thundery showers. The western Mediterranean will be mainly fine and sunny. North-western Europe will have outbreaks of rain.

Five-day forecast

Central parts of the Mediterranean will become unsettled with rain and thunderstorms by Sunday. North-western Europe will become colder over the weekend, but milder air with rain will spread from the west on Tuesday. Western Russia and northern Scandinavia will stay very cold with further snow flurries.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	29
Accra	Fair	32
Algiers	Fair	23
Amsterdam	Rain	10
Athens	Shower	19
Atlanta	Fair	18
B. Aires	Sun	25
B.ham	Shower	9
Bangkok	Fair	33
Barcelona	Rain	16
Beijing	Fair	16
Belfast	Shower	8
Belgrade	Cloudy	7
Berlin	Fair	6
Bermuda	Fair	25
Bogota	Fair	18
Bombay	Sun	34
Brussels	Rain	9
Budapest	Fair	9
C.hagen	Fair	7
Cairo	Sun	25
Caracas	Fair	30
Cardiff	Rain	9
Casablanca	Sun	22
Chicago	Fair	10
Cologne	Rain	8
Dakar	Fair	32
Dallas	Fair	13
Delhi	Sun	26
Dubai	Sun	30
Dublin	Shower	8
Dubrovnik	Fair	14
Edinburgh	Rain	9
Faro	Fair	21
Frankfurt	Cloudy	8
Geneva	Rain	12
Gibraltar	Sun	24
Glasgow	Shower	9
Hamburg	Fair	6
Helsinki	Snow	-2
Hong Kong	Fair	25
Honolulu	Fair	30
Istanbul	Rain	16
Jakarta	Thunder	32
Jersey	Rain	11
Johannesburg	Sun	27
Karachi	Sun	31
Kuwait	Sun	26
L. Angeles	Sun	23
Las Palmas	Sun	26
Lima	Fair	22
Lisbon	Fair	20
London	Shower	10
Lux.bourg	Rain	5
Lyon	Fair	10
Madeira	Fair	23
Madrid	Fair	18
Majorca	Fair	19
Malta	Shower	20
Manchester	Shower	8
Manila	Thunder	30
Melbourne	Fair	21
Mexico City	Fair	23
Miami	Fair	29
Milan	Fair	11
Montreal	Fair	2
Moscow	Snow	-11
Munich	Rain	7
Nairobi	Fair	28
Naples	Rain	15
Nassau	Fair	29
New York	Fair	12
Nice	Fair	13
Nicosia	Thunder	23
Oslo	Fair	2
Paris	Rain	10
Perth	Shower	21
Prague	Fair	7
Rangoon	Sun	33
Reykjavik	Fair	5
Rio	Fair	25
Rome	Shower	14
S. Frsco	Sun	18
Seoul	Fair	14
Singapore	Fair	29
Stockholm	Sleet	3
Strasbourg	Rain	8
Sydney	Shower	26
Tangier	Fair	22
Tel Aviv	Sun	25
Tokyo	Fair	17
Toronto	Fair	8
Vancouver	Rain	13
Venice	Sun	11
Vienna	Rain	7
Warsaw	Fair	5
Washington	Fair	14
Wellington	Fair	16
Winnipeg	Snow	-1
Zurich	Cloudy	7

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FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 — FRIDAY NOVEMBER 13 1998 — Week 46

INSIDE

Esprit moves into bandwidth sector
Esprit Telecom, one of Europe's new operators, is moving into the burgeoning "carriers' carrier" business with the formation of an independent arm, Esprit Telecom Networks. The unit will be responsible for building and selling bandwidth – dedicated transmission capacity – on its pan-European network to other carriers. Page 19

Swisscom outperforms local market
Though it came to the market only just over a month ago, Swisscom, the telecoms group, is the best-performing stock on Zurich's blue-chip SMI index, up 38 per cent compared with 5 per cent for the SMI. Market Focus, Page 36

Caribbean backs bananas despite US

Caribbean islanders are being told to diversify in the face of Washington's threat to impose 100 per cent duty on many European products by January next year unless Europe amends its banana import regime, which offers a preferential market to Caribbean producers such as those in St Lucia (above). However, St Lucia plans to produce not fewer bananas but more and more efficiently. Commodities, Page 26

Japan drugs sector weathers storm
Japan's big pharmaceuticals groups were resilient in the half to September. Though domestic price cuts and patient co-payments hurt, their impact has proved to be transitory. Page 16

Citic set to issue domestic bonds
Citic, China's main trust and investment company, will issue domestic bonds worth RMB700m ($85m) next week. The issue comes as the sector faces a squeeze on credit after the closure of the prominent Guangdong International Trust and Investment Corporation (Gitic) last month. Capital Markets, Page 24

Seven Up arm looks to break free
Dr Pepper/Seven Up, the US arm of Cadbury Schweppes, has to rely on the bottling networks of PepsiCo and Coca-Cola, arch-rivals, to distribute much of its output. But with the two networks increasingly picky about what they bottle, DPSU wants an independent system. Page 21

Filipino banks sit on capital surplus
Some of the leading Filipino banks may soon be facing a rare problem in Asia: overcapitalisation. While many in the region are struggling to stay solvent, some Philippine banks could be sitting on a surplus of capital. Page 16

Kenyan tea producers thwarted
Plans to entrench Kenya as the world's main tea exporter are being thwarted as smallholders vie for control of the sector with the Kenya Tea Development Authority. Commodities, Page 26

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MARKET STATISTICS

Hicks Muse plans European fund

Group's $1.5bn vote of confidence in private equity

By William Lewis in New York and Edward Luce in London

Hicks, Muse, Tate & Furst, the private equity fund group, is planning to launch a $1.5bn fund dedicated to European investments.

The Dallas-based group intends to begin fundraising in the second quarter of next year. If successful, it will be one of the largest European private equity funds and provide further evidence of how US private equity groups are increasingly focusing on European investments.

Investment groups such as KKR have already starting making large investments in European markets, but this will be Hicks, Muse's first European dedicated fund. Details of Hicks Muse's plan came a day after it emerged the group is seeking to reduce the price it has agreed to pay Pearson, the UK media group, for publisher Simon & Schuster's professional and reference titles.

The stock price of Pearson, which owns the Financial Times, fell 31p on the news yesterday to close at £10.

In recent weeks the high yield market, on which private equity groups rely in order to leverage the capital they are able to use for takeovers, has dried up. Some deals, such as Hoechst's planned sale to KKR of Herberts, the speciality chemicals company, have come unstuck.

However equity valuations are now considered to be more realistic and Hicks Muse's intention to press ahead with a new fund is evidence of the group's continuing confidence in the private equity market.

Investors have already agreed to commit $4bn to Hicks Muse's Fund 4, a general purpose investment fund, with final closing expected at the beginning of next year. Fund 3 has $200m left to invest, and, in July, Hicks Muse announced the final closing of a $960m Latin American fund. In addition, there is an $820m Hicks Muse real estate fund, which has the ability to make investments outside the US.

John Muse, a Hicks Muse partner, is overseeing the group's European expansion from its recently opened London office.

In Europe, the leveraged buy-out sector is still dominated by the UK houses, including Doughty Hanson, Cinven, CVC, Charterhouse, Schroder Ventures and Candover.

However, along with the expansion of US firms, the UK houses are also facing a challenge from continental firms, such as the private equity arm of Paribas, the French investment bank. Of the estimated $25bn raised for European deals in the last 12 months, more than half has been raised by European private equity houses.

The so-called "billionaires' club" of European LBO firms hit double figures this year. "We don't yet have non-UK European houses the size of Doughty Hanson but there are signs this is changing," said Stephen Mostyn-Williams, a partner at Shearman & Sterling.

Bankers say that the biggest potential for growth in M&A activity is in Germany where large-scale corporate restructuring is expected to take place.

Zeneca in plan to sell speciality chemicals business

By Jenny Luesby

Zeneca, the UK pharmaceuticals group, yesterday put its speciality chemicals business up for sale, just days after Ciba and Clariant announced their merger to create the world's largest speciality chemicals company.

Sir David Barnes, chief executive, said the move had been driven by the sector's accelerating consolidation.

"Ours is a modest size business," he said. "It would have needed to be twice the size and we just did not believe it would be right to stretch the balance sheet to bulk up speciality chemicals when our spending priorities lay in life sciences."

Analysts said the Zeneca business, with anticipated sales this year of about £700m ($1.16bn), could sell for more than £1bn.

This is a modest price tag when compared with the speciality chemicals deals of last year. Ciba bought Allied Colloids for three times sales, but the sector has become far more competitive since then.

Viewed as resilient to cyclical downturns, speciality chemical businesses were being sold at premium rates. However, the Asian downturn and the consolidation so far have increased the competitive pressures in the sector.

However, Zeneca said it did not believe the short-term pressures on the industry would affect the price.

"In a consolidating sector, this is a good quality business, which gives it scarcity value," said Sir David.

With 35 sites worldwide and 5,500 employees, the business includes biocides, industrial colours, life science molecules, performance and intermediate chemicals, resins and leather dyes. Zeneca will retain the Marlow foods business, which makes Quorn.

Analysts yesterday suggested that selling this portfolio as a single business might require some discounting. But Zeneca emphasised it did not plan to sell the specialities businesses piecemeal.

J.P.Morgan is understood to be acting as sole advisers.

The group's share price closed up 28p at 2,283p.

Lex, Page 14

Veba in dip but analysts expect recovery

By Frederick Stüdemann in Bonn

Veba, the diversified German industrial conglomerate, yesterday blamed poor performance by its silicon-wafer business and continuing start-up losses in telecommunications for a 16.2 per cent fall in net income at the nine-month stage to DM1.75bn ($1bn).

The losses, which had been expected, mark an end to years of strong profits at Veba, which is undergoing a restructuring.

Ulrich Hartmann, chairman, said pre-tax earnings in the first nine months rose 1.6 per cent to DM3.7bn but warned that the full-year figure would be slightly below the 1997 figure of DM4.97bn. Sales advanced 3 per cent to DM62.5bn.

MEMC, the group's silicon-wafer subsidiary, was hit by overcapacity in the market and deteriorating prices. Losses at MEMC were DM562m, compared with a DM8m loss at the same stage in 1997. The losses include a restructuring charge of DM250m.

The group's telecoms activities have been hit by the poor start of o.tel.o, a fixed-line provider which Veba co-owns with RWE. Veba said sales at o.tel.o were picking up but its losses were DM600m at the nine-month stage.

Earnings at the Stinnes distribution and logistics subsidiary, which Veba plans to spin off in an initial public offering next year, were depressed by poor performance in the home improvement and car services businesses.

Mr Hartmann said the group would press ahead with cost cutting and portfolio restructuring measures. He said the disposal of non-core activities had shed DM4bn in sales revenue since the start of the year and that the company planned to shed a further DM5bn.

Analysts said the 1998 figures were distorted by high restructuring charges and they expected Veba to bounce back in 1999.

Isabelle Hayen, utilities analyst at Goldman Sachs in London, said the group stood to benefit from improved market conditions in silicon wafers and telecoms as well as from cost cutting measures and the falling away of restructuring charges.

There is some uncertainty over the core electricity generating business – which Mr Hartmann sees alongside chemicals and telecoms as one of the three pillars of a refocused group – in the light of government plans by he new Social Democrat-led government to decommission nuclear power stations and introduce taxes on energy usage.

● RWE, the energy-to-telecoms group, yesterday said first-quarter profits rose by an adjusted 10.1 per cent to DM218m.

The unadjusted increase, which included the proceeds from the disposal of the group's uranium ore mining activities, was an increase of 54.5 per cent to DM306m. The Essen-based company said sales declined by 3.5 per to DM16.6bn due to falling domestic demand.

Deutsche Telekom to cut prices, Page 19

Forging ahead: Robots weld car bodies at the Honda plant in Swindon, UK. The group has benefited from strong sales in the US and Europe

Mazda and Honda buck trend

Japanese carmakers' first-half profits stem sector's wave of bad news

By Alexandra Harney in Tokyo

The flood of bad news from Japan's vehicle sector abated yesterday as Mazda Motor and Honda Motor reported robust first-half earnings.

The weakness of the yen pushed Mazda, managed and one-third owned by Ford of the US, into the black for the first time in seven years and helped Honda record profits of Y158.28bn ($1.3bn) in the six months to September.

It was the first hopeful sign from the industry in weeks. Nissan Motor and Mitsubishi Motor have warned of huge losses this year. This week, Nissan said it might request up to Y100bn in emergency funds from a government-sponsored bank to improve its sagging cash flow.

The Honda and Mazda results highlighted the smaller carmakers' relative flexibility in adjusting the product mix and eliminating excess costs.

Honda, which has made record profits for the past three years, confirmed analysts' expectations with a 27 per cent improvement in pre-tax earnings in the first half, from Y222.56bn to Y281.51bn.

The group, which surprised the market in August with an unexpectedly strong first-quarter performance, benefited from strong sales in the US and Europe. Turnover rose 12.1 per cent, from Y2,794bn to Y3,134bn.

In the full year, Honda expects consolidated pre-tax earnings of Y500bn on turnover of Y6,400bn. After tax and exceptionals, group profits would be Y280bn, a 7.4 per cent improvement on the year before.

Shares in Honda have plunged recently on fears that the group would be vulnerable to the strengthening of the dollar against the yen.

These concerns pushed Honda's stock to an all-year low last month of Y2,870. Yesterday, the shares tumbled 6.5 per cent or Y280 to Y4,030, on fears that full-year earnings forecast – announced after the market's close – would be lower than expected.

Mazda, rebounding from a costly restructuring, reported first-half consolidated net earnings of Y8.5bn, against losses of Y9.7bn. The group also returned to profitability on the pre-tax level at Y24.8bn, compared with Y3.8bn in losses last time.

Mazda said the results were due to cost cuts in its domestic operations and improved revenues in the US and Europe.

But the group revised both production and earnings targets for the full year and suspended the dividend payment. In the year ending in March, it said pre-tax earnings should improve 3 per cent to Y5.5bn.

Battle hots up for Fokus Bank

By Greg McIvor in Stockholm and Valeria Sköld in Oslo

Svenska Handelsbanken, Sweden's largest bank, was last night locked in a bidding battle with Den Danske Bank, Denmark's biggest lender, for Fokus Bank of Norway.

A surprise NKr5.6bn ($748m) bid for Fokus, launched yesterday by Den Danske Bank, was later trumped by Handelsbanken. It raised its own hostile offer – announced this month – to NKr5.8bn.

Yesterday's events followed the collapse this week of a planned three-way merger between Fokus, Christiania Bank, Norway's second-largest, and state-owned Postbanken in the wake of Handelsbanken's approach.

Den Danske's cash offer was NKr77 a share, offering a 10 per cent premium to Handelsbanken's initial NKr70 a share bid. Handelsbanken's higher bid was NKr80 a share.

Peter Straarup, Den Danske Bank chief executive, said its offer was justified by potential synergies from merging Fokus's retail network operations with its Danish operations.

He said Fokus's name, identity and management would be retained and no jobs would be lost. Mr Straarup also promised to retain Fokus's headquarters in Trondheim.

Fokus's board was due to meet last night to consider the two alternatives.

The tussle for Fokus is the latest twist in a rapid and increasingly cross-border consolidation of Nordic banking in which several leading lenders are striving to develop a pan-regional presence.

Den Danske Bank has made a string of acquisitions in Norway, Sweden and Finland during the past two years. Handelsbanken has established branch networks in Norway and Finland.

According to people close to Fokus and Den Danske, the two banks held talks about a possible merger last year and the respective managements "get on well".

Although it has trumped the Danish offer, Handelsbanken still faces a significant obstacle before it can win control of Fokus.

Den Danske said yesterday it had purchased a 9.97 per cent stake in Fokus from Union Bank of Norway. This would, in effect, enable it to block any higher competing offer.

Fokus shares, which have almost doubled in the past month, leaped NKr8 to NKr72.50. Handelsbanken's most-traded A shares shed SKr8.50 to close at SKr318.50. Its higher bid was announced after the market closed.

Den Danske shares fell DKr10 to DKr865 in Copenhagen.

JAPAN SHARP AND SANYO REPORT HEAVY FIRST-HALF DECLINES BUT TDK BUCKS TREND

Electronics sector posts mixed results

By Naoko Nakamae in Tokyo

Japanese electronics makers reported mixed results yesterday, as Sharp and Sanyo saw steep falls in earnings in the first half of the year, while TDK's profits went up.

Lower semiconductor and liquid crystal display prices hit Sharp's group net profit, which fell 86 per cent, from Y20.3bn to Y2.9bn ($23.8m), despite record revenues. Pre-tax profits excluding exceptionals dropped 84 per cent from Y34.4bn to Y5.4bn.

Sharp, which issued a group profits warning in September, cut its revised forecast for the full year. It predicted pre-tax profits excluding exceptionals of Y23bn, compared with its previous estimate of Y28bn. It also cut its net profit forecast from Y10bn to Y8.5bn.

Consolidated sales of audio-visual equipment were up 7.6 per cent on strong overseas sales, but both the electronic components and communication and information equipment sectors saw revenues decline.

The weak domestic and Asian economies also hurt Sanyo, as its net profits fell 42 per cent from Y9.9bn to Y5.7bn and pre-tax profits slid 29 per cent from Y21.7bn to Y15.5bn.

Sanyo said the recession had affected its home electronics and industrial machinery sectors. The former was also hurt by poor air-conditioning sales due to a cold summer.

Sanyo pared back its prediction for the financial year, estimating consolidated pre-tax profits of Y8bn, against Y16.5bn forecast in May, on net sales of Y1,850bn, instead of Y1,950bn.

TDK bucked the trend with a 12 per cent rise in its consolidated net earnings, from Y25.6bn to Y28.6bn. Pre-tax profit climbed 5.9 per cent to Y46.4bn, while sales rose 7.2 per cent to Y352.9bn.

However, it revised its full-year net earnings estimates from Y60bn to Y50bn.

Its first-half performance was driven by a strong rise in revenue from its recording devices division, which climbed 27.1 per cent. TDK, a market leader in magno-resistive heads, was able to take advantage of growing demand in this sector.

Gains were also made in recording media, electronic materials and components sales, although TDK fell victim to a globally weak semiconductor market, where sales fell 5.3 per cent.

Its overseas sales grew 16.8 per cent in the first half.

Drugs groups hold up well

Japanese producers have weathered price cuts and a doubling of patient contributions

By Paul Abrahams in Tokyo

Japan's big pharmaceuticals companies have proved remarkably resilient in the six months to September 30.

The industry, which in theory should be defensive when the economy turns down, has been battered by three consecutive years of domestic price cuts, as well as last September's increase in patient contributions for medicine costs. Only two of the top nine groups that have reported – Daiichi and Banyu – saw higher sales.

Although the price cuts have clearly hurt, the impact of the patient co-payments has proved transitory. Japanese patients were initially shocked by a doubling in charges, but have returned to their hypochondriac ways.

Stephen Baker, healthcare analyst at Warburg Dillon Read in Tokyo, said that data from wholesalers indicated that the market was down by about 10 per cent, almost the same as last April's 9.7 per cent price cut. In other words, volumes had held up quite well. The country spends about 25.9 per cent of medical expenditure on drugs, against 15 per cent in the US.

"We have seen the drugs groups announcing upward profits revisions in recent weeks. These have been something of a rarity in other sectors," said Mr Barker

In profits terms, the best performers have been those with medicines that have flourished in international markets. It was no surprise that Takeda and Sankyo posted record results. This was thanks to the overseas success of Takepron, the former's anti-ulcer treatment, and Mevalotin, the latter's cholesterol-lowering agent.

Analysts expressed concern, however, about a possible slow-down in US sales of Sankyo's Norscal diabetes treatment. A number of competitor products are in final stage clinical trials.

Fujisawa, which is in the process of completing the global roll-out of Prograf, its immuno-suppressant, also saw particularly strong growth in pre-tax profits.

The company said it had benefited from the weak yen. On a net basis, earnings more than quadrupled to Y21.1bn ($173m). However, the figure was boosted by an extraordinary gain of Y8bn for lower-than-expected US restructuring costs.

Eisai's Aricept, an Alzheimer's treatment, did well in the US – sales in the July-September quarter jumped 52 per cent to $81m – but a 24 per cent government-imposed price cut in April badly dented domestic sales.

One surprise was Shionogi, a laggard in internationalisation, which generated unexpectedly high royalty revenues through licensing its drugs overseas. The group said it would be aggressive in generating such income in future.

A number of companies were hit by losses on their securities holdings. Daiichi made a Y2.5bn write-off, while Chugai posted a securities-related consolidated loss of Y4.1bn.

However, Chugai achieved a 16 per cent increase in operating profits thanks to cost-cutting – rare in Japan. The group's sales fell 0.3 per cent. Investor interest is now focused on prospects for its US diagnostics subsidiary.

Banyu, in which Merck of the US owns a majority stake, posted better-than-expected pre-tax profits. This was partly due to lower marketing costs and better-than-expected sales of Renivace, an anti-hypertensive. Analysts said the group had also revealed more details of its relationship with its US parent, and in particular the amount it is charged by the US company for licences and raw materials.

Yamanouchi's fall in sales and profits was mainly due to the end of sales agreements with Novo Nordisk of Denmark and Schering Plough of the US. Elen, a treatment for senile dementia, had previously accounted for about 2 per cent of turnover, but the ministry of health and welfare decided to suspend sales because it questioned the drug's efficacy.

For the full year, almost all companies predicted lower profits.

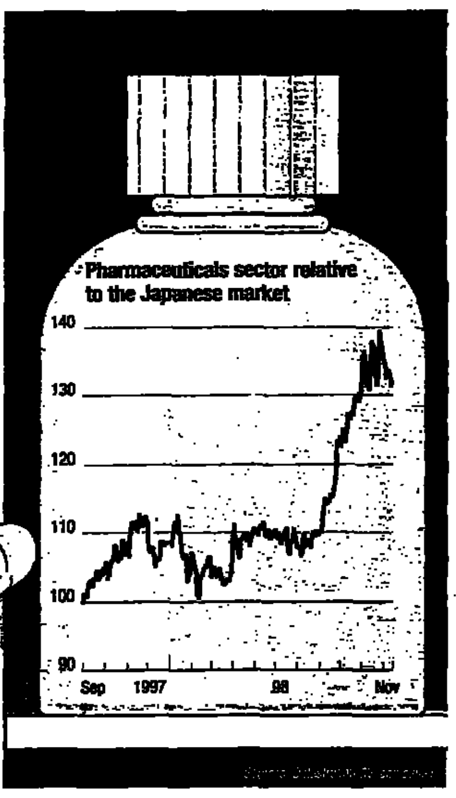
Cold comfort

Japanese drug companies first-half results*

Ybn

	Sales	% change	Pre-tax Profits	% change
Takeda	319.8	-0.2	58.5	1.4
Sankyo	233.3	-1.7	65.4	0.03
Yamanouchi	132.6	-18.2	29.6	-12.9
Daiichi	119.5	1.9	18.6	-20.0
Eisai	115.5	-10.0	12.6	-40.0
Shionogi	*102.0*	*-0.2*	*10.3*	*15.4*
Fujisawa	94.8	-10.6	13.1	53.9
Tanabe	92.2	-2.6	9.9	-5.9
Banyu	77.0	12.8	13.7	18.0

* Non-consolidated to end Sept 1998

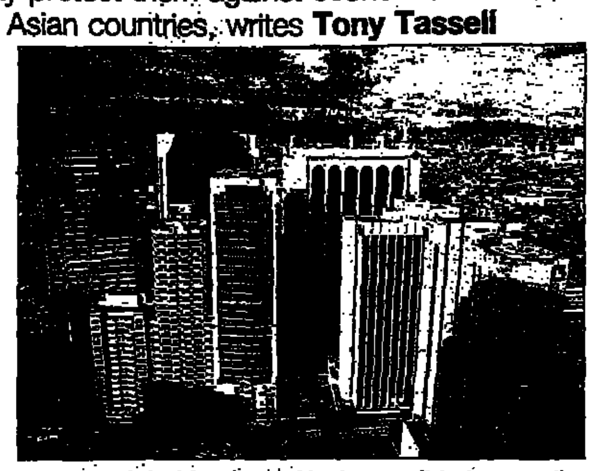


Rare capital problem leaves Philippine banks sitting pretty

Overcapitalisation may protect them against economic turmoil – unlike banks in other Asian countries, writes **Tony Tassell**

Some leading Philippine banks may soon be facing a rare problem in Asia: overcapitalisation. While many in the region are struggling to stay solvent, some Philippine banks could be sitting on a surplus of capital.

After large capital raisings between 1994 and 1997, the country's leading banks have built a cushion against the shocks of the regional economic turmoil, slower growth in gross domestic product and an expected rise in non-performing loans.



Tidy pile: capital-raisings have led to strong capital adequacy ratios

The last declared average capital-adequacy ratio for the Philippine commercial banking sector was 17.3 per cent, well ahead of the 10 per cent required by the central bank. Some banks have ratios of 22 per cent.

"I would say seven out of the eight most actively traded banks in the Philippines are now overcapitalised," says Edgar Bancod, analyst with Paribas Asia Equity. "Much of the capital was built up in anticipation of huge expansion of credit as we saw in other Asian countries. Instead, it is now providing a cushion against the downturn."

Analysts say the country's banks will need this over the next 12 months even though they are clearly in better shape than most of their regional counterparts.

"While there is going to be pressure on the loan books, they will need to maintain high levels of capital adequacy," says Nick Cashmore, of ABN Amro Asia

Standard & Poor's, the credit rating agency, has warned that the banking system's non-performing loans "could easily exceed" 20 per cent in 1999 – a sharp rise on the declared level of 9.6 per cent at the end of July.

But even if the S&P forecast is accurate, the stress on the country's banking system is not expected to be as high as in other Asian countries, which are forecast to see non-performing loans well above 30 per cent.

"Private-sector debt levels in the Philippines are markedly lower than in Thailand or Malaysia. We think it unlikely that the Philippine banking system would see NPL's in the high 20s," said Girish Kumar Narayanan, analyst with Merrill Lynch, at the end of September. He forecast non-performing loans would peak at about 21 per cent in the third quarter next year.

John Mangun, director of portfolio management for IB Gimenez Securities, says they may have already peaked, arguing that the current quarter represents the low in the economic cycle and that the downturn next year in the property market may be softer than expected.

Mr Bancod at Paribas Asia Equity says Philippine banks are in a relatively strong position to deal with rising non-performing loans. He believes loans outstanding in the banking system represented only about 50-60 per cent of total banks' assets. In contrast, this has been as high as 80 per cent in countries such as Thailand.

He says recovery rates also appear positive. The assessed value of collateral for loans in the banking system represents about 56 per cent of the market value of the assets at the time the finance was approved. Although the property market has since come under pressure, Mr Bancod says collateral values are still well below market values.

The relative health of the banking system owes much to continued reform by the central bank under its governor, Gabriel Singson.

Measures taken, under programmes supported by the International Monetary Fund and the World Bank, include a cap on property loans of 20 per cent of a bank's total loan portfolio; a shortening of the time for determining "past due loans" to three months; requiring banks to make a loan-loss provisions of 2 per cent on all loans by October 1 1999; and a tightening of provisioning requirements for sub-standard loans.

Other measures include raising the capital requirement for full commercial banks from 3.5bn pesos to 5.4bn pesos ($133m) by 2000 and stiffer sanctions for banks not complying with regulations.

Problems remain – such as the troubled, state-controlled Philippine National Bank – and a consolidation is overdue among the country's commercial banks. Mr Cashmore says more could be done to reform banking regulations, and that banks could provide more information on the age of non-performing loans. Nevertheless, when Mr Singson finishes his term of office in July next year, the banking system should be able to withstand the looming pressures.

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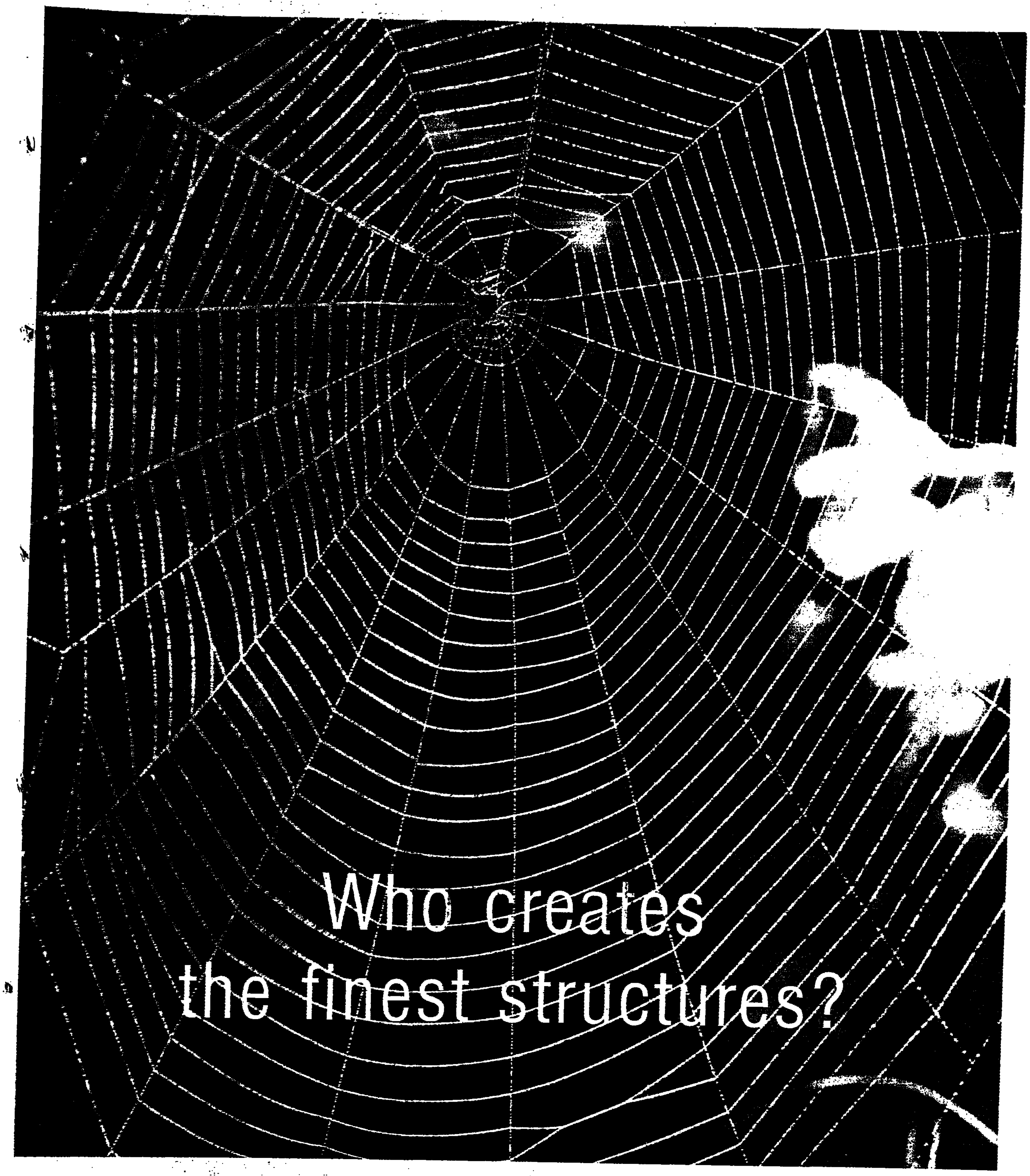

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PUBLIC OFFERINGS PUBLISHING GROUP SEEKS MILAN FLOTATION AMID SIGNS OF A REBOUND IN LISTINGS MARKET

Italian IPO plan signals European recovery

By Vincent Boland

An Italian publishing company will today unveil plans to list on the Milan stock exchange amid growing signs that Europe's initial public offering market is regaining its momentum as stock markets recover from the recent downturn.

The US IPO market has seen a sharp rebound in the past two weeks, with three big offerings completed this week, including that of Fox Entertainment, which at $2.8bn was the third biggest stock-market listing in the US.

Some IPOs that had been postponed from early autumn, when the markets began to slide, are also being revived for completion before the end of the year.

The planned listing for Class Editori, which has newspaper, magazine and television interests, suggests the European market is bouncing back. While several big privatisations have been completed in the past few weeks, issues outside the telecommunications sector have been rare.

ABN Amro Rothschild and Banca di Roma have been appointed joint lead-managers for the Class Editori offering, which could raise L117bn-L140bn ($70m-$84m). The IPO, which includes new capital and shares being sold by existing shareholders, represents about 40 per cent of the company.

Class Editori was founded in 1986 by a group of journalists from the Corriere della Sera newspaper, who will remain key shareholders. It is expected to complete its listing later this month, and begins a roadshow on Monday aimed at European institutional investors. Italian retail investors are also likely to be offered shares.

The company's main publications include Milano Finanza, a financial newspaper that provides the main competition for Il Sole 24 Ore, Italy's main business daily, and Class, a men's lifestyle magazine.

Earlier this week it joined with Mediaset, part of the publishing empire controlled by Silvio Berlusconi, the former Italian prime minister, to launch a digital financial television channel.

The IPO is one of a small number of European transactions that have been testing the market in the past two weeks, taking advantage of the stock market rebound. Panafon, a Greek mobile telephone group, is in the market with a transaction valued at $600m, and the Finnish government this week completed the listing of Sonera, the country's telecommunications network.

Several listings have also been completed on the Neuer Markt in Frankfurt, a market for growth companies, mostly in the technology sector.

Swissair parent in German buy

By William Hall in Zurich

SAirGroup, parent of Swissair, has bought a 49.9 per cent stake in LTU, the German charter airline and tour operator, in an attempt to create a leading new European leisure-travel group.

The Swiss company yesterday announced a two-stage deal in which it will set up a holding company, LTU Holding. This will own LTU Group, which has revenues of DM4.7bn ($2.83bn) and a staff of 5,200.

WestDeutsche Landesbank, Germany's biggest state-owned bank, and several private investors have sold 49.9 per cent of LTU to the new holding company. WestLB had been ordered to sell its stake in LTU by the German competition authorities because it also has a large stake in TUI, Germany's biggest tour operator.

Since Switzerland is not a member of the European Union, SAirGroup cannot buy control of an European Union airline, putting it at a serious disadvantage in competing with EU carriers. Hannes Goetz, SAirGroup chairman, said: "We Swiss cannot grow much more within our home market".

The group is concentrating on building a network of alliances in the airline industry, and by diversifying into the travel business hopes to secure its passenger load during an economic slowdown.

During next year the remaining 50.1 per cent of LTU will be injected into LTU Holding. At the same time German-based investors will take a 39.9 per cent stake in the holding company and WestLB will own another 10.2 per cent.

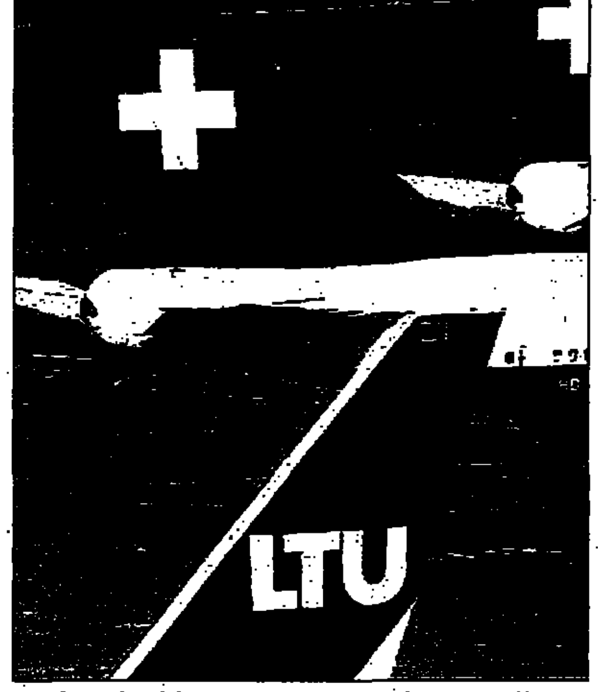
Peter Fankhauser, a former senior executive of Kuoni, the Swiss travel operator in which Swissair once had a stake, has been appointed chief executive of LTU and Peter Haslebacher, a Swissair executive, will run the LTU airline.

Georges Schorderet, SAirGroup's chief financial officer, refused to disclose the price paid for the stake or the debt which would be inherited. There had been reports in the German media that SAirGroup might have to pay up to SFr1.6bn ($1.2bn) to secure its foothold in Germany's DM50bn-a-year travel market, the biggest in Europe.

Mr Schorderet indicated that the investment was bigger than SAirGroup's £160m ($265m) purchase in 1995 of Allders, the UK duty-free chain, and its 49.9 per cent stake in Sabena, the Belgian airline, which has now been written off. The new holding company will have an equity capital of DM400m, of which half will be contributed by SAirGroup.

SAirGroup had SFr2bn of cash, so the investment would not place any undue strain on its balance sheet, Mr Schorderet said. The intention was that the investment would return 12 per cent after tax.

LTU, based in Dusseldorf, is the parent of Germany's third biggest airline and its third biggest tour operator. LTU's 29 aircraft carried 7.2m passengers last year and LTU also runs several tour operator brands including: Tjaerborg, Meier's, Weltreisen, Jahnreisen, Smile & Fly, THR and Marlboro Riesen. The tour operations had revenues last year of DM2.7bn.



Crossing paths: airlines plan new leisure-travel group Keystone

ABN admits Fl 178m loss at diamond branch

By Gordon Cramb in Amsterdam

ABN Amro, the leading Dutch bank, yesterday admitted the loss of Fl 178m ($94m) as a result of what is alleged to have been a systematic fraud carried out by employees handling the accounts of rich non-residents.

When the case first came to light two years ago, the bank maintained the sums involved were only "tens of millions" of guilders. It dismissed as "ludicrous" press suggestions at the time that the loss was of the order now confirmed. The episode is the worst the bank has suffered in its home market.

Police in Amsterdam yesterday released on bail four suspects arrested on Monday on charges of fraud and embezzlement. They all worked at an ABN Amro unit in the city which primarily served international diamond traders. The bank sacked the four last year and wound up the unit after discovering discrepancies in customer accounts.

It said they had built up a "shadow book-keeping" system which over five years allowed them to milk a significant number of the 600-800 accounts held at the so-called diamond branch. These were largely Swiss-style numbered accounts, for which privacy-minded customers did not wish to be sent regular statements.

The four are alleged to have opened additional accounts on behalf of existing clients, and then debited them. Dutch law requiring cash transactions of unusual size to be reported to the authorities was breached. The identity of some customers was deliberately concealed, and fakes were discovered among gems entrusted to the unit for safekeeping.

The scheme escaped detection by Moret Ernst & Young, local offshoot of the international accounting firm, which acted as ABN Amro auditor. KPMG was brought in to undertake a special audit after the bank uncovered the irregularities. Its report last year brought departures and disciplinary action among a dozen other bank staff charged with overseeing the operations of the diamond branch.

The latest disclosures would not impact on the earnings outlook for ABN Amro, the bank said. The losses incurred were written off mostly in the second half of 1996, with the rest in the first six months of last year.

The bank is winding up the numbered accounts, which in recent years had also been offered to high-net-worth foreigners outside the diamond trade. "They come to collect their statements, and some do not show up for years," said the official, adding: "It was very common to call in and order money transfers by phone. It is all about trust. That is exactly where it went wrong."

Marzotto seeks capital to make acquisitions

By Paul Betts in Milan

Marzotto, the Italian textiles and clothing group, will next month seek shareholder approval to give it the flexibility to raise more than L600bn ($361m) in fresh capital to make acquisitions.

Jean de Jaegher, chairman, said that Marzotto was seeking acquisitions in Europe, as well as in Asia and North America, to expand its core textile and clothing businesses.

At an extraordinary meeting on December 14, shareholders will be asked to approve a board resolution to raise fresh capital on one or more occasions over the next five years by issuing up to 20m shares or L300bn worth of convertible and standard bonds, or both. Marzotto shares have recently been trading in a range of L15,000-L16,000.

"We want to be ready to seize a good opportunity. It could be in textiles, men's clothing, women's wear and sports wear," Mr de Jaegher said.

The company had looked this year at a possible acquisition of Lacoste, the French sports wear group, but pulled out because the deal did not involve the Lacoste brand itself.

Marzotto was also close to merging two years ago with HDP, the Italian holding with interests in textiles, fashion and publishing, but the deal fell through because of differences over strategy.

But Mr de Jaegher said it was difficult to find "desirable acquisitions". The company had received many proposals but none had so far fitted in with its strategy.

While pursuing its strategy of disposing of non-core assets, Marzotto was now interested in expanding in women's fashion.

The company has traditionally been strong in men's textiles and clothing, especially with its controlling interest in Hugo Boss, but now saw women's wear and women's textiles as a "great opportunity to enlarge the business".

Hugo Boss is due to launch its first women's collection in 2000. Mr de Jaegher also said the company was eyeing expansion in casual and sports wear, which continued to offer good growth opportunities.

Marzotto expects to report net group profits about 30 per cent higher for 1998, at about L90bn from L69bn in 1997, in spite of the current crisis in the wool market, the turmoil in Asia and increased competition in its businesses.

However, this year's profit rise would also reflect one-time gains from disposals of non-core activities totalling about L13bn-L15bn.

Like the rest of the textiles and clothing industry, Marzotto would face a difficult year in 1999, but this could provide opportunities for the stronger groups in the sector, Mr de Jaegher said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 13.11.98 — Final Prices for Trading on 16.10.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	20.46	14.47	14.58	0.83
0100	20.46	11.37	11.47	0.83
0130	18.51	14.47	14.56	0.83
0200	18.51	14.47	14.56	0.83
0230	18.51	17.00	17.10	0.83
0300	18.51	17.00	17.10	0.83
0330	26.51	14.47	14.56	0.83
0400	18.51	14.47	14.58	0.83
0430	13.86	14.47	14.56	0.83
0500	9.35	14.47	14.56	0.83
0530	9.32	14.72	14.81	0.83
0600	9.34	14.72	14.81	0.83
0630	9.35	14.72	14.82	0.83
0700	9.37	15.32	15.42	0.83
0730	26.66	22.68	22.76	0.83
0800	20.96	21.18	21.29	0.83
0830	24.80	25.92	26.03	0.83
0900	33.28	30.37	30.46	0.83
0930	33.28	30.36	30.47	0.83
1000	37.07	30.37	30.48	0.83
1030	37.07	25.58	25.69	0.83
1100	33.28	22.73	22.86	0.83
1130	46.04	22.74	22.86	0.83
1200	84.83	22.74	22.85	0.83
1230	84.83	22.72	22.83	0.83
1300	84.83	19.25	19.36	0.83
1330	29.66	21.24	21.33	0.83
1400	24.80	21.23	21.33	0.83
1430	24.80	21.23	21.33	0.83
1500	24.80	21.23	21.33	0.83
1530	24.80	19.38	19.48	0.83
1600	24.81	19.38	19.48	0.83
1630	25.66	19.38	19.48	0.83
1700	52.11	[illegible]	15.42	0.83
1730	69.91	15.33	15.43	0.83
1800	69.38	17.22	17.33	0.83
1830	49.76	33.30	33.43	0.83
1900	48.00	30.55	30.66	0.83
1930	40.94	33.30	33.42	0.83
2000	29.67	27.81	27.91	0.83
2030	32.98	22.78	22.88	0.83
2100	29.07	22.78	22.88	0.83
2130	16.16	22.78	22.88	0.83
2200	15.38	22.78	22.89	0.83
2230	15.38	14.72	14.81	0.83
2300	13.88	24.56	24.65	0.83
2330	13.82	13.91	14.00	0.83
2400	9.35	11.43	11.53	0.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.880p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of covering the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 [illegible] between 8:30am and 5:15pm Monday to Friday.
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Portugal Telecom income of Es61bn beats expectations

By Peter Wise in Lisbon

Portugal Telecom, the country's dominant telecommunications operator, yesterday reported net income of Es61.1bn ($355m) in the first three quarters and an operating revenue of Es438.5bn.

The group has not previously reported nine-month results, but analysts said earnings were slightly above expectations. Earnings per share were Es322.

Income was diluted by recent acquisitions in Brazil of Telesp Celular, a mobile phone operator, and a holding in Telesp Fixa, a fixed-line group, analysts said. More than Es601bn of the Es702.9bn Portugal Telecom invested in the first three quarters was spent on international acquisitions.

The group said the Brazilian acquisitions, the biggest foreign investment made by a Portuguese company to date, had strong growth prospects and would result in increased dividends for shareholders over the medium term.

"1998 has been a very busy and productive year, fuelled by PT's continuing strong progress in our domestic market, and the major growth steps we have taken in Brazil, which should ensure our continuing strong growth far into the future," the group said.

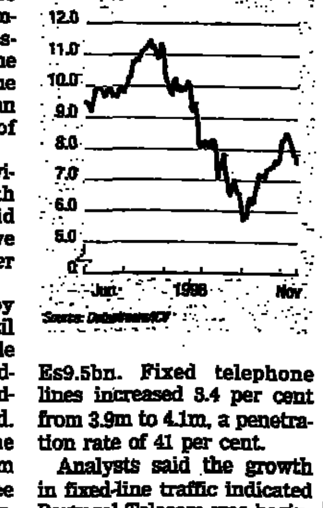
Total fixed-line traffic rose from 8.9bn minutes in the first three quarters of 1997 to Es9.5bn. Fixed telephone lines increased 3.4 per cent from 3.9m to 4.1m, a penetration rate of 41 per cent.

Analysts said the growth in fixed-line traffic indicated Portugal Telecom was beginning to reap the benefits of a new tariff system introduced in February, and had successfully countered initial consumer perceptions that call costs were being increased.

The biggest contributors to revenue were fixed-line operations, which accounted for 60.5 per cent of the total, and TMN, the group's mobile phone subsidiary, which contributed 15.6 per cent.

TV Cabo, the group's cable TV subsidiary, increased subscribers by 82 per cent from 290,000 to 527,700. Revenue from cable TV services was Es12.3bn. Internet access and data transmission services generated revenue of Es10.8bn.

Portugal Telecom
Share price (esc '000)



Source: Datastream/ICV

NEWS DIGEST

CAR MANUFACTURING

Saab names Augustsson as second in command

Saab Automobile, the Swedish car-maker half owned and managed by General Motors of the US, appointed Peter Augustsson as its chief operating officer yesterday. Mr Augustsson, aged 43, will be second in command to Robert Hendry, Saab's chief executive, who was appointed last month to run Adam Opel, the troubled German subsidiary of General Motors. Mr Hendry, who remains chief executive, will retain direct responsibility for Saab's sales and marketing.

Mr Augustsson, who was recently ousted as chief executive of SKF, the Swedish industrial bearings group, is a former senior executive of Volvo, Saab's Swedish rival.

Mr Hendry is to divide his time between Opel and Saab, and Mr Augustsson will run Saab in his absence. Mr Hendry, who was a compromise candidate at Opel, said yesterday he would spend two-thirds of his time in Germany and the remainder in Sweden.

He plans to spend two years dividing his time between the two car-makers before switching to Opel completely. Mr Hendry said his chief task at Opel would be to sort out quality problems.

Mr Augustsson is being lined up to take full control at Saab after that period ends. However, this period could be cut short if, as many expect, GM raises its stake in Saab next year.
Graham Bowley, Frankfurt and Greg McIvor, Stockholm

ENGINEERING

Linde maintains sales forecast

Linde yesterday reiterated its forecast for 13 per cent sales growth this year, saying its European focus shielded it from the Asia crisis. The German engineering group said it was maintaining its 1998 sales forecast after nine-month turnover came in 13.3 per cent higher at DM7.71bn ($4.59bn). Profits this year are expected to grow at a similar rate as sales.

"We have a solid basis in Europe, which is paying off. We will expand in America and Asia step by step. America has a higher priority but we will not neglect Asia," said Gerhard Full, management board chairman.

In the first three-quarters of this year Europe accounted for 83 per cent of incoming orders, with Germany accounting for 32.6 per cent and Europe outside Germany 40.6 per cent. Eleven per cent of orders came from the US. Foreign sales remained just over two-thirds of total sales.

Mr Full said Asian orders, whose nine-month share of overall orders fell to 2.2 per cent from 5 per cent, would be boosted by a $300m deal signed this week to build an ethylene plant in Malaysia.

Linde shares slipped DM4 to close at DM911, in spite of Mr Full's announcement that the group would increase its 1998 dividend if the earnings improvement held up to the end of the year. The company paid a dividend of DM19.50 per DM50 share in 1997 and has consistently raised its dividend in recent years. **Reuters, Wiesbaden**

BROADCASTING

Pro Sieben sees adverts fall

Pro Sieben, the German broadcaster, warned yesterday of a marked downturn in advertising spending due to poor global economic conditions. The Munich-based company, which last year became the first German broadcaster to list on the Frankfurt stock market, said manufacturers of international brands in sectors such as beauty care, confectionery and liquor had become notably more cautious with their advertising budgets.

Georg Kofler, chairman, said: "Due to this development in significant sectors of the advertising market, we calculate turnover growth for the Pro Sieben group in 1998 will be in lower single-digit figures."

The company, which owns Germany's third biggest commercial television station, Pro 7, was also hit by the football World Cup in June and July, which drew viewers to rival channels.

Pro Sieben, which has succeeded in building a young audience with a mix of popular films and action series, carries few sports programmes.

At the nine-month stage, sales rose 3 per cent to DM1.43bn. Pre-tax profits rose 25 per cent to DM156m, though the company said the increase was largely due to improved cost structures. **Frederick Stüdemann, Bonn**

INFORMATION SYSTEMS

Amdocs income surges

Amdocs, the Israeli manufacturer of information systems for telecommunications providers, reported a sharp increase in net income and sales for the year to September. Net income jumped from $5.9m last year to $30.1m, while sales grew 39.2 per cent from $290.1m to $403.8m. Fourth-quarter net income amounted to $11.5m compared with a loss of $18.3m over the same period last year.

The company said the sharp rise was due to a reduction in quarterly interest expenses following the repayment of long-term debt from proceeds of the company's recent initial public offering of 9 per cent of its shares, which raised about $270m. Revenues jumped from $5.8m to $30.1m, boosted by a 49.5 per cent rise in its customer care and billing services. **Judy Dempsey, Jerusalem**

CHEMICALS

Kemira gives profit warning

Kemira, the Finnish chemicals and fertiliser group, warned yesterday that its full-year earnings would fall short of last year, when it posted a FM619m ($121m) net profit. It said earlier that this year's profit would be close to last year, but did not specify whether that meant a rise or a fall in earnings.

"Kemira's group earnings should be at a good level, though they will fall short of the previous year's result," the group said about the new FM2bn bond programme.

Kai Friman, Kemira treasurer, declined to specify what a good profit level meant, but added that it meant Kemira would be clearly in the black. **Reuters, Helsinki**

FINANCIAL SERVICES

Paribas sells Nord-Est

Paribas, the French financial services group, said yesterday its Paribas Affaires Industrielles unit had sold control of packaging specialist Nord-Est to Continentale d'Entreprises for a total sale price of FFr845m ($150m).

The transaction, at a price of FFr170.50 francs a share against an average of FFr115 over the 20 sessions to November 9, gave Continental d'Entreprises control of Nord-Est with 52.4 per cent of voting rights. Paribas held 23.07 per cent directly and a further 19.98 per cent via the holding company Sedicecom. **Reuters, Paris**

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هكذا من الأصل

TELEPHONY CUTS OF UP TO 63% EXPECTED TO HIT PROFITS AS GROUP ALLEGES UNFAIRNESS BY REGULATORS

Deutsche Telekom slashes its prices

By Frederick Stüdemann in Bonn

Deutsche Telekom, Europe's biggest telecommunications group, unveiled price cuts of up to 63 per cent yesterday, in a move which looks set to dent profits at the partially privatised company.

Ron Sommer, chairman, said the cuts, which must be approved by the regulatory authority before coming into effect on January 1, were a reaction to the approach of regulators, whom he accused of favouring the company's competitors.

He acknowledged the reductions would eat into sales and be painful in the short term. Since market liberalisation at the start of the year, Telekom has lost between 14 and 20 per cent of the long-distance market.

Although the company would not say what impact it expected the cuts would have on profits, the market has already factored in a drop in profits following Telekom's announcement last month that it would implement tariff cuts.

Analysts yesterday welcomed the cuts, saying that while they would lead to a drop of up to DM1bn ($596m) in revenue, they indicated Telekom was responding to changing competitive conditions. "It is the right move to secure long-term earnings," said one telecoms analyst.

The shares fell DM3 yesterday to DM44.70.

Yesterday's move comes at a time when Telekom is awaiting regulatory rulings on prices for access to the "last mile" into customers' homes, and on which companies are entitled to preferential interconnection charges – the amount the company collects from competitors using its networks.

Telekom claims Germany's low interconnection charges give competitors an unfair advantage. Mr. Sommer has also alleged repeatedly that access to Telekom's networks granted to competitors with little infrastructure of their own has created a situation in which a "price war is being carried out on the back of Telekom".

Mobilcom, one of the smaller companies, which has established itself successfully through an aggressive marketing campaign offering cheap calls on lines rented from Telekom, announced yesterday a five-fold rise in pre-tax profits to DM112m. Sales increased fourfold to DM904m.

The regulatory authority has come under pressure recently from the new Social Democrat-led government, which appears to be leaning towards Telekom's position.

Werner Müller, the federal economics minister, told parliament yesterday that liberalisation "cannot lead to an imbalance between those companies which invest in their own networks and those who simply use these networks for the carriage of their minutes of conversation".

Ron Sommer: accused regulators of favouring group's competitors

BANKING TROUBLED FRENCH GROUP REACHES PROVISIONAL AGREEMENT ON Pta14bn DISPOSAL

Lyonnais set to sell Spanish network

By David White in Madrid

Crédit Lyonnais, the troubled French bank, is set to complete the sale of its network in Spain by mid-January following a provisional agreement reached this week with two Spanish savings banks, according to executives close to the talks.

The deal, expected to be worth about Pta14bn ($98m) in total, is part of a foreign divestment programme by the state-controlled group, under conditions imposed by the European Commission for French government aid.

It involves selling two retail banking networks which Crédit Lyonnais bought in 1990 and 1991 from the Spain's Banco Santander for more than Pta90bn.

The two operations, with about 1,300 employees, have sustained combined losses of almost Pta38bn over the past four years. Negotiations for the sale began early this year and the deal remains subject to due diligence procedures.

Caja Madrid, Spain's second largest savings bank, plans to take over the Barcelona-based subsidiary Banca Jover for between Pta5.2bn and Pta5.5bn. The purchase will enable Caja Madrid to strengthen its presence in the Catalonia region, where Banca Jover has most of its 82 branches.

Deal is part of a foreign divestment programme by the state-controlled group, under conditions imposed by the European Commission for French government aid

At the same time, Caja Duero, based in Salamanca, is set to pay about Pta7.5bn for Crédit Lyonnais España, the unit created when the French bank bought Banco Comercial Español, for about Pta7.5bn.

This involves 87 branches spread throughout Spain but with a significant presence in Madrid.

Ranking number 12 among the country's regional savings banks, Caja Duero has up until now operated mainly in the rural Castilla-León and Extremadura regions.

In addition the two purchasers plan jointly to buy Crédit Lyonnais's Iberagentes fund management business on a 50-50 basis for between Pta1.2bn and Pta1.4bn.

Crédit Lyonnais, which has been operating in Spain since 1875, is believed to be negotiating separately to sell its main headquarters building in central Madrid.

Its planned withdrawal from retail banking in Spain follows similar moves by two UK groups, National Westminster and Abbey National.

NatWest sold a 200-branch network two years ago to the medium-sized Spanish bank Banco Sabadell, which has since relaunched it under the name Solbank.

Earlier this year Abbey National followed its example in a deal with the savings bank Caja de Ahorros del Mediterráneo.

● Grupo Santander has named Joao Hermida to head its treasury and fixed income department. He replaces Bob Harding, who takes responsibility for projects relating to the launch of the euro.

Esprit targets bandwidth business

By Alan Cane

Esprit Telecom, one of Europe's new alternative operators, is moving into the burgeoning "carriers' carrier" business with the formation of an independent business unit, Esprit Telecom Networks.

The new unit will be responsible for building and selling bandwidth – dedicated transmission capacity – on its pan-European network to other carriers.

The market for bandwidth is growing strongly because of the huge demand for data transmission, principally because of the growth of multimedia and the internet.

While there is huge telecoms capacity available in Europe, only a proportion is suited to high-speed data transmission.

A customer for bandwidth essentially buys an electronic "pipe" down which any volume of information kind can be transmitted. Customers for transmission minutes, another fast growing market, are buying finite capacity.

Jim Reynolds, Esprit chief operations officer, said he expected the group soon to be deriving about 25 per cent of its revenues from networks. He pointed to contracts the company has with the internet companies Demon and Internet Network Services as evidence of its expertise in providing high quality bulk transmission of internet traffic.

The unit will be headed by Peter Mitchell, formerly group finance director for the UK-based cable operator ComTel, a subsidiary of the Dutch KPN group.

The networks subsidiary will be in competition with other carriers' carriers such as Hermes and WorldCom. Although demand for bandwidth is strong, early entrants into the market will be in a powerful position, analysts say.

The new unit already has 16 customers with current contracted revenues of $20m.

TELECOMS ROM TELECOM SALE

OTE to fund Romanian buy through bond

By Kerin Hope in Athens

OTE, the partly privatised Greek telecoms operator, plans to finance the $675m acquisition of Rom Telecom of Romania through an international bond to be issued early next year.

The Greek operator is meanwhile arranging a bridge loan with a group of Greek and international banks to meet the Romanian government's deadline for payment.

OTE last week beat Telecom Italia, the only other bidder, to buy 35 per cent of Rom Telecom in one of the biggest privatisation deals in eastern Europe this year.

The Greek operator will take over management and will have voting rights over a further 16 per cent of Rom Telecom's equity.

The acquisition, OTE's largest foreign investment to date, marks the company's emergence as a regional operator.

The Greek group already holds a 20 per cent stake in Telekom Serbija, the state-controlled Serbian operator, alongside Telecom Italia's 29 per cent stake. OTE has also acquired 90 per cent of ArmenTel, the Armanian state operator.

George Chryssolouris, chief executive, said OTE would raise a total of $700m through a revolving short-term credit facility arranged by National Bank of Greece, with participation by a syndicate of Greek and foreign banks.

"This is an interim step until we feel that markets are ready for the launch of our medium term note programme next year," he said.

The Rom Telecom deal was agreed one week after the Greek government raised $1.1bn through the sale of a 10 per cent equity stake in OTE in a secondary offering. About 70 per cent of the offering was placed with international investors, mainly US and European institutions, and the company is reluctant to tap the markets again this year.

Mr Chryssolouris said OTE would start negotiations shortly with the European Bank for Reconstruction and Development, which has shown interest in investing in Rom Telecom.

OTE would offer the EBRD an equity stake of about 10-15 per cent.

GTE, the US telecoms group, which has agreed to supply technology and management support, will have an option to buy an equity stake of 10-15 per cent in Rom Telecom in the next two years.

GTE joined the Greek group in recent weeks following the withdrawal of its US rival, SBC Communications, from the planned OTE consortium.

OTE's aim is to float Rom Telecom on the Bucharest stock exchange within four years.

Mr Chryssolouris said OTE would give priority to developing basic telephone services in the Romanian countryside, "probably through extensive installation of cardphones in rural areas".

OTE plans to invest $1bn over four years to increase the number of fixed-wire lines from 15 per cent to 25 per cent of the 23m population.

CORRECTION

Marubeni

Marubeni's net exposure to Indonesia is Y135bn, not Y250bn as stated in the Financial Times on October 28.

OIL US GROUP TO REDUCE PRODUCTION AND EXPLORATION STAFF BY MORE THAN 12% IN ATTEMPT TO SLIM COSTS

Texaco cuts jobs amid squeeze on prices

By Christopher Parkes in Los Angeles

Texaco is to cut its oil exploration and production workforce by more than 12 per cent to counter the price squeeze that has slashed energy companies' profits worldwide and led to sharp cuts in capital spending.

The New York-based group, which this week said its capital expenditure this year would be 20 per cent lower than the $4.6bn budgeted, said it would shed 750 employees in the US and 250 overseas, most in the UK.

The lay-offs, equivalent to 5 per cent of the payroll and due to be completed by next March, would be part of an attempt to cut annual costs by $200m.

The process will include a reorganisation at management level in upstream operations -. arranged in geographical groups – to focus instead on key functions: finding reserves, developing finds and optimising production.

The cuts have been forced by a combination of depressed oil prices – still a third lower than at this point last year – and continued fears of the economic slowdown spreading to the US.

While speculation mounts of an impending wave of mergers to follow the recent Amoco-British Petroleum link, many leading US oil groups are cutting into their cost base. However, most of the savings are being sought in longer-term projects, by the deferral of drilling and production in newer development areas, while the companies try to improve operational efficiency in existing oil and gas reserves.

According to some estimates, industry-wide spending on exploration and production will fall at least 10 per cent next year.

Mobil said on Wednesday it aimed to save $500m in annual costs, prune investments and lay off an unspecified number of workers. Unocal, one of the smaller US companies, followed its California-based competitors this week with plans to reduce its outlays by as much as 40 per cent this year. Some jobs were also likely to go.

Chevron, based in San Francisco, said it expected 1998 spending to fall 15 per cent below budget, but made no forecasts about next year. In Los Angeles, Atlantic Richfield recently announced a $500m savings plan over the next two years, and 900 associated redundancies. Most of the economies would be found, as in the case of Texaco, in upstream operations.

At Occidental, which is reducing its payroll by almost 300, more than two-thirds of the total job losses will affect its drilling subsidiary.

Microsoft tangles on the web

By Louise Kehoe in San Francisco

Microsoft was out to dominate the internet, US government officials charged in May when they filed their landmark antitrust lawsuit against the software industry leader. The company had used illegal tactics to place a "chokehold" on the important new medium, said Janet Reno, US Attorney General.

Six months later, Microsoft has yet to turn a profit on its internet activities. Although the company may now be giving away more browser software than Netscape, its chief competitor in that field, it has had only moderate success with its websites and online services.

Far from dominating the new medium, Microsoft faces stiff competition. In the race to become the primary "portal" or gateway to the internet, Yahoo!, America Online and several other internet companies draw more users than Microsoft's newly designed website. Neither can Microsoft claim clear market leadership in areas of electronic commerce.

In what may be a sign of Microsoft's frustration, Pete Higgins, 40 and vice president of the company's interactive media group, has stepped down from his post for an indefinite period. He would return some time next year, Microsoft officials added.

However, his departure – albeit temporary – comes as Microsoft is attempting yet again to find a formula for success on the internet. The company recently relaunched its online services reshaping them as a "portal" website that incorporates services previously offered on separate websites.

This is the latest of several attempts by Microsoft to build a viable online business. Over the past few years the company has rejigged its strategy several times and swallowed an estimated $1bn in losses.

Microsoft's online ventures began with the Microsoft Network (MSN), launched in 1985 as a proprietary online service to compete with America Online and Compuserve. Software to access MSN was included in Windows 95, the PC operating system.

But MSN flopped. Its launch coincided with the first wave of public enthusiasm for the internet and Microsoft was forced to rethink, offering MSN as an internet access service.

Next, Microsoft added television-style shows and channels to its online service, but these failed to catch on and were cut back. Critics said the "channels" were an attempt to turn the internet into a passive entertainment medium that overlooked the interactive nature of the world wide web.

The new version of MSN, launched in July, is similar in style to leading "portals" such as Yahoo!, Lycos and Excite. It incorporates directory and search services, chat rooms, news, stock market information and shopping as well as Microsoft's Carpoint car buying web site and Expedia, a travel site.

But MSN offers little that is not available at its rivals' portal websites. Moreover, Microsoft has entered a race in which its competitors are continually adding new services – often through acquisitions and where profits are still elusive. And in the market for internet access services, Microsoft is still playing catch-up. Jupiter Communications, a market research group, estimates that MSN has fewer than 2m subscribers compared to more than 13m at America Online. Microsoft has not revealed its membership figures. Far from being the threat that Justice Department officials had warned about, Microsoft has yet to prove that it can be an internet leader.

Screen break: Pete Higgins has taken leave for an indefinite period

Success of Mony float augurs well for those following suit

Group's demutualisation has been closely watched by its rivals, writes **John Authers**

The US life assurance industry is braced for a rash of sales following the successful flotation this week of Mutual of New York, the oldest life assurer in the US, which will now be known as the Mony Group.

Mony is the 11th largest mutual life assurer in the US, and its initial public offering has been organised swiftly, helped in part by the efforts of its careers sales force in convincing policyholders they should vote for the change in status.

The process was closely watched by a number of other large mutual life assurers that are planning to take the same route.

Three of the four biggest life assurers by assets – Prudential Insurance of America, Metropolitan Life and Northwestern Mutual – are still mutually held. Six mutual life companies have assets of more than $55bn.

Prudential has already persuaded lawmakers in its home state of New Jersey to change the law so it can become a quoted company, while Boston-based John Hancock Mutual, one of the most profitable in the industry, has already announced a firm intention to demutualise.

Virtually all mutual companies are at least considering some change in status. Many were contemplating the half-way house of becoming "mutual holding companies", where mutuals float off a minority quoted subsidiary, but these are growing unpopular with consumer groups.

The New York state legislature voted down a proposal to allow such companies earlier this year, forcing some of the largest, including Metropolitan Life and New York Life, to consider full demutualisation.

Mony's experience appears to be encouraging for other mutuals thinking of following it. Its projected flotation price was raised significantly by its underwriter, Goldman Sachs, in the past few weeks, and its shares have risen sharply since they began to trade on Wednesday morning.

Floated at $23½, by midday yesterday Mony shares had reached $29¾. At flotation, its shares were priced at about 70 per cent of book value. This put it comfortably ahead of Equitable Life, demutualised in 1992 for 82 per cent of book value, but left it still trading at a substantial discount to quoted life companies, which mostly trade at between 1.5 and 2 times book value.

At its current share price, Mony is still priced at less than book value. Under New York state law, no other company can buy a stake of more than 5 per cent within the next five years without the permission of the state insurance commissioner, a political appointee. But it will need to take some radical measures to assure its independence in the long term.

Analysts estimate its return on equity (roe) at about 6 per cent - roughly half the average for quoted life assurers.

Mutual companies have little incentive to treat roe as a benchmark, and it is not unusual for them to have such low profitability. Mony's roe has roughly doubled in the past three years.

Michael Roth, chief executive, said: "Clearly mutual companies' roe has never been very high and our peer companies have higher returns. Our goal is ultimately to outperform them but first we have to get to their level. We propose to do that by growing our distribution system and expanding our product portfolio, and reinvesting in what we do best – protection and accumulation products."

It may also make acquisitions to help expand its distribution system, and to add products.

Analysts suggest that raising profitability will require cost-cuts. According to Michael Cohen of AM Best, the rating agency: "The success of a public company is closely related to its profitability. They concentrate on individual life, which isn't one of the higher return on equity businesses. I suspect that as analysts get a hold on the company and their operations, they aren't going to like what they see as much as people seem to like it this week."

NEWS DIGEST

MEDIA

News Corp blames TV operations for downturn

News Corporation yesterday blamed losses at cable and satellite television operations in Latin America, the US and Australia for an 18 per cent drop to $196m in first-quarter net profits. Earnings per American depositary receipt of 20 cents fell 40 per cent below analysts' predictions of 34 cents, and were 6 cents lower than a year ago.

Newspapers also reported a drop in operating income, from $102m to $87m, although film successes – reported earlier this week in advance of the Fox Group share offering – raised group profits at this level by 10 per cent to $407m. Book publishing, the smallest division, also showed strong improvement with operating earnings of $22m against $13m last time, but other sectors did less well.

Total television earnings were down from $137m at $111m, and magazines dipped from $71m to $65m. Group operating revenues rose 12 per cent to $3.2bn. The company said the fall in television earnings was due mainly to losses at the Fox News Channel, a 24-hour cable service available in about one-third of US homes.

Associated businesses reported a deficit of $23m, against profits of $47m last time, which News Corp said resulted from the inclusion for the first time of losses at Sky Latin America and investments in joint ventures in the US cable industry. **Christopher Parkes, Los Angeles**

ASSET FINANCE

Sale rumour lifts Newcourt shares

Shares in Newcourt Credit Group, the world's second largest asset finance company, were up almost 9 per cent at mid-session yesterday after an unconfirmed report suggested the firm might put itself up for sale. The company would not comment on the report, but issued a statement saying it did not have material news or information to disclose to the market. Newcourt said it was continuing to pursue a wide range of strategic alternatives further to consolidate and extend its competitive position.

The report said the Newcourt has been struggling with the high cost of funding operations after investors turned away from higher risk debt in favour of US Treasury securities. GE Capital, the world's largest asset finance group, and Associates First Capital were seen as possible bidders for Newcourt. Newcourt shares were up C$4.80 to C$58.50. **Scott Morrison, Toronto**

US EQUITIES

Fund managers 'underperform'

International equity fund managers for US institutional clients underperformed the stock market index for the third quarter by more than one percentage point, according to research published yesterday. The average fund measured by WM, the performance tracking company, fell 15.6 per cent in the three months to the end of September, compared with a decline of 14.2 per cent for the MSCI Europe Australia and Far East index, a benchmark for non–US global equity exposure.

WM blamed poor stock selection, particularly in Europe, for the failure of the fund managers involved to outperform the index. About a third of the managers involved were based in the US managing assets worth $17.8bn at September 30 on behalf of US institutions. The returns for the third quarter will be particularly disappointing for active managers which have tended to find it difficult to match the index during periods of strong growth.

However, average returns over the 12 months to September 30 were boosted by an underexposure to the yen and underweighting of the Japanese equity market. The WM average almost matched the MSCI EAFE index over that period with a return of 8.1 per cent compared with 8.2 per cent for the benchmark.

Currency exposure in the third quarter also hit returns, largely because of the exposure to the Canadian dollar and losses on hedging during the period. **Jane Martinson**

TELECOMMUNICATIONS CONTINENTAL EUROPEAN VENTURES LOSING £300M A YEAR

Disposal of MCI stake fuels BT's growth

By Alan Cane

An exceptional £1.13bn ($1.87bn) from the sale of its stake in MCI boosted British Telecommunications' interim pre-tax profits to £2.6bn, but underlying earnings slipped as the cost of supporting its ambitious European strategy increased.

Stripping out the exceptional, earnings per share were 16.3p (16.8p) in the half year to September 30. The company said the decline was entirely because of "planned higher losses in our European ventures and an increased interest charge following the September 1997 special dividend payment".

BT is losing about £300m a year on its ventures in continental Europe, most of them still in the start-up phase, and faces heavy demands for capital investment. In the half year, it saw the start of mobile services at Telfort in the Netherlands and Viag Interkom in Germany.

The company is still refusing to commit itself to returning the cash from the MCI sale to shareholders either through another special dividend or a share buy-back, but is increasing the interim dividend to 8.1p (7.55p).

Sir Peter Bonfield, BT chief executive, said the proceeds of the MCI sale had been banked, which he believed was the best course in times of acute market turmoil. BT's gearing is 4 per cent.

The results for 1997 and 1998 are complicated by the MCI sale and by last year's windfall tax charge of £510m which led to BT's first quarterly loss.

Revenues rose 10 per cent to £8.64bn. Earnings per share, including exceptionals, were 28.3p (8.8p).

Sir Peter said the economy was slowing, but demand for BT's products and services remained strong. "Our trading performance remains healthy", he said.

Inland call turnover increased only 2 per cent to £2.54bn although call volume rose 6 per cent as price reductions continued to take effect. Revenues fron international calls slipped to £733m (£797m) as price competition intensified.

Sir Peter said planning for the group's alliance with AT&T of the US was proceeding satisfactorily. He hoped the regulatory agreements would be in place before July 1999.

The cost of ensuring BT's international operations can proceed independently of MCI has been put at £150m over the two years to March 2000. Some £34m of this was spent in the six months.

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GRE plans to strengthen healthcare side

By Andrew Bolger

Guardian Royal Exchange, the UK composite insurer seen as most vulnerable to takeover, said it would relaunch its UK life assurance operation and expand the group's long-term healthcare operations.

With the insurance sector rapidly consolidating through mergers, the group said it wanted its life assurance activity to be fully owned by shareholders, improving its capacity to compete and produce better returns.

GRE's life business in the UK is backed by its £8bn ($13bn) long-term business fund, which allocates 90 per cent of profits to participating policyholders and 10 per cent to shareholders.

Last year GRE strengthened its position in the private medical insurance and long-term care markets by paying £435m for PPP Healthcare, which had a long-term business fund that allocated all profits to shareholders. The group said PPP gave it the opportunity to combine the strengths of the two life operations and to increase earnings for shareholders from its life side.

GRE will inject £300m new capital into its wholly-owned unit, PPPlifetime care. This company will then acquire a substantial portion of the existing business of the Guardian life and annuity fund for £220m – equivalent to the net assets and embedded value of the acquired business. Shareholders will continue to receive 10 per cent of the distributable surplus of the fund, which will be closed to new business.

John Robins, GRE's chief executive, said: "Existing policyholders, future policyholders and shareholders will all benefit from these changes. These changes are expected to generate higher pay-outs for most of our existing with-profit policyholders, generate new products for the future and create an increased level of quality earnings for shareholders." He said GRE had liased with the Treasury, which would have to give permission to the transaction, but High Court approval was not required.

PowerGen sets sights overseas

By Andrew Taylor

PowerGen, Britain's third largest generator, is looking to buy electricity companies in Australia and Thailand.

Ed Wallis, chief executive, yesterday said the group still wants to buy a large US electricity company but is finding it difficult to locate the right partner and overcome US ownership restrictions.

He said the group needed first to complete the integration of East Midlands, the UK's third largest electricity supplier, bought last summer for £1.9bn ($3.2bn).

Mr Wallis said "the US remains an important part of our strategy" but difficulties remained over the US Public Utility Holding Company Act which restricts cross-holdings and foreign ownership of domestic power utilities.

Merger talks between PowerGen and Houston Industries of the US broke down earlier this year.

PowerGen yesterday reported a rise in group operating profits to £218m (£187m) for the six months to September 27.

Pre-tax profits after £10m of goodwill amortisation rose £2m to £156m.

Mr Wallis said disarray in world economies would increase acquisition opportunities as countries sold publicly-owned utilities to improve efficiency and encourage investment in new capacity.

The PowerGen chief executive said he expected opportunities to arise in Australia and Thailand where the group already had interests in independent power projects.

UK electricity and gas profits, accounting for more than 80 per cent of total profits, rose 21 per cent to £189m helped by a £29m contribution from East Midlands.

The group, which is changing its year end to December 31, does not expect to achieve cost savings from integrating East Midlands until next year. Analysts expect savings to be about £30m a year.

Net debt following the East Midlands purchase rose to £2.48bn (£588m), gearing of 155 per cent.

Earnings per share after goodwill amortisation was 18.6p, compared with a post windfall tax loss of 12.5p a year ago.

The interim dividend is increased to 10p (9p). Turnover rose by 7 per cent to £1.27bn.

The shares slipped 18p to 869p.

M&S works to resolve succession

By Peggy Hollinger

Marks and Spencer's non-executive directors have been canvassing members of the company's divided board in private on their preferences for a successor to Sir Richard Greenbury, the retailer's executive chairman.

Although M&S has remained resolutely silent following news of board divisions over the succession plans, it is understood that Sir Richard has not been present at the interviews.

Directors were meeting yesterday in an attempt to resolve what has become damaging speculation about the successor to Sir Richard.

A boardroom row broke out last week when it emerged that Peter Salsbury, a 28-year veteran of M&S, was likely to be appointed chief executive when Sir Richard split his roles to become non-executive chairman, which is expected to happen in May.

Keith Oates, the deputy chairman and once favourite for the job, launched a high-profile campaign to stay in the race which drew Sir Richard back unexpectedly from a business trip in India.

However, his campaign appears to have alienated some non-executives and reduced his chances of getting the job. "The consensus is moving further from Keith," said one person inside the company.

Shareholders yesterday suggested a compromise could be reached with a strong external candidate as non-executive deputy chairman, if Sir Richard remains as non-executive chairman and Mr Salsbury, one of four joint managing directors, becomes chief executive.

"A more powerful influence would be helpful," said one of the company's biggest shareholders.

Other shareholders said the external influence would help to address anxieties over Mr Salsbury's ability to stand up to Sir Richard, who has a reputation for hands-on management.

Merchant bankers said the formula had worked for other companies.

The sweet charms of cheating lovers and braving alligators

John Willman on Dr Pepper/Seven Up's plans to build an independent US distribution system to escape the cola bottlers

According to the latest US television advertisements for Dr Pepper, people want the fruit-flavoured carbonated soft drink so much they are willing to make enormous sacrifices.

In one, a young man loses his sweetheart by cheating her out of the last bottle in a drinks dispenser. In another, a love-struck youth sacrifices his life to retrieve two cans from an alligator-infested swamp.

The advertisements are designed to emphasise the attractions of Dr Pepper in comparison with its cola rivals and to encourage people to try it. But they could also be seen as symbolic of the difficulties faced by the manufacturer of the much-desired beverage in supplying consumers with its products – which also include 7 Up, A&W root beer and Schweppes mineral waters.

Dr Pepper/Seven Up, the US soft drinks subsidiary of Cadbury Schweppes, must rely on bottling networks established by its arch-rivals, Coca-Cola and PepsiCo, to distribute more than half its output. Pepsi bottlers, for example, distribute two-thirds of Schweppes products and a third of Dr Pepper. The Coke system accounts for more than 40 per cent of Dr Pepper and Canada Dry sodas. DPSU has no complaints about the service it gets from Coca-Cola Enterprises, the large Coke bottler, and the Pepsi Bottling Group.

However, the two cola networks have become increasingly picky about what they bottle – refusing to distribute brands they regard as competing with their own products.

John Brock, the chemical engineer from Mississippi who heads Cadbury's global beverages division, says: "Coca-Cola Enterprises and Pepsi Bottling Group, particularly, decided to drop brands like A&W root beer and Sunkist orange soda."

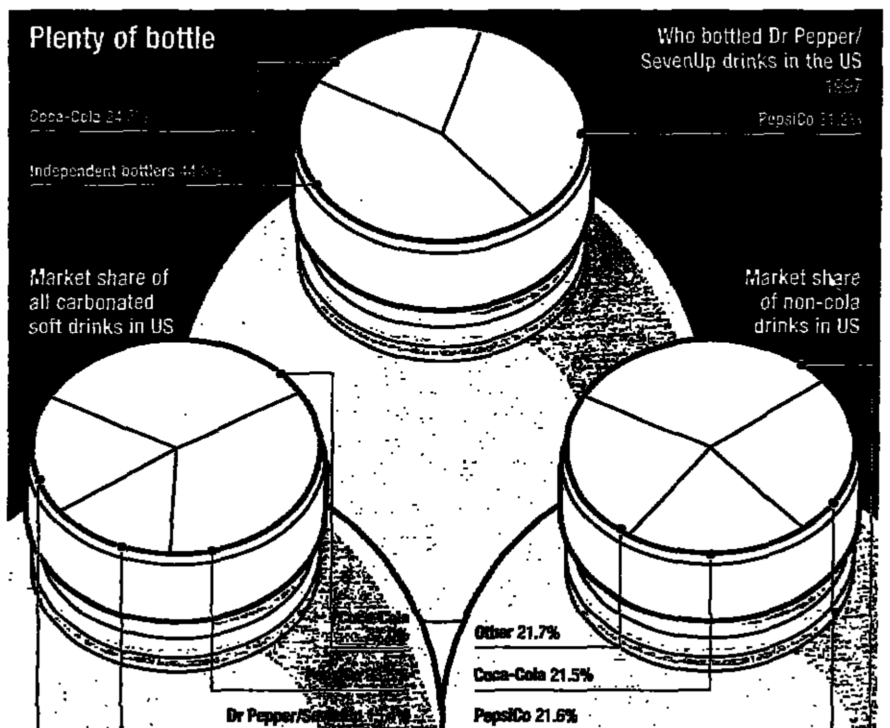
Although the "flush", as Mr Brock calls it, is now over, other brands might be purged in the future if Coke and Pepsi launch their own versions. DPSU now wants to build up an independent distribution system based on the more than 200 bottlers outside the two cola networks which have regional and local franchises for some or all of its brands.

The independents, which now distribute just under 45 per cent of DPSU output, are mostly small family businesses and are not as efficient as the big cola bottlers. Their costs per 288-fluid-ounce case are typically about $6.60 (£3.97) compared with $5.60 for Coke and Pepsi.

Cadbury has therefore begun to encourage consolidation among the independents, hoping to match the efficiency of cola systems. This began in May when two mid-western bottlers merged to form American Bottling Company, a Chicago-based group in which Cadbury has a 40 per cent stake.

The two bottlers involved had themselves been formed by merging five smaller franchises. ABC's first move has been to reduce duplication with a plan to close five of its 10 plants without loss of output, with the aim of cutting costs to $6 a case next year. Additional scale will come from acquiring other DPSU franchises. Last week ABC announced the acquisition of Cotton Club Bottling in Cleveland, Ohio, and is in talks to acquire several others. An early candidate is expected to be the Dr Pepper Bottling Company of Texas, which accounts for more than 10 per cent of DPSU output.

It is controlled by Jim Turner, a charismatic and successful manager who has been invited to take a senior job in Pepsi's bottling operation which is due to be floated off next year. If Mr Turner were to accept – he is thought to be attracted –



Sources: Beverage Digest; IRI Infoscan

an essential strand in the independent bottling network could pass into Pepsi's hands.

That prospect could force Cadbury to bid for Mr Turner's business – a move that would cost it roughly the $120m it put into the creation of American Bottling.

David Kappler, finance director of the UK group, says it could easily finance this from its strong free cash-flow.

But the 19p fall in Cadbury shares to 865p on yesterday's news of Pepsi's approach to Mr Turner reflects fears among investors that the UK group could be sucked into building its own distribution system in the all-important US market.

Dr Pepper drinkers might be persuaded to make sacrifices to buy their favourite drink, but Cadbury's investors are less sanguine about helping them do so.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Assoc British Eng	6 mths to Sept 30	17.6	(16.1)	0.058	(0.062)	0.01	(nil)	nil	-	nil	-	nil
Bandt	6 mths to Oct 4	39.5	(38.9)	4.01	(2.68♠)	2.6	(1.8)	0.5	Jan 6	0.4	-	1.4
Bank of Ireland ♣	6 mths to Sept 30	-	(-)	507.2♥	(250.7)	75.5†	(33.6)	9.2	Jan 11	7.1	-	23
BT	6 mths to Sept 30★	8,642	(7,847)	2,601♥	(1,565)	28.3	(8.8)	8.1	Feb 15	7.55	-	19
Cantab Pharma	9 mths to Sept 30	3.11	(6.88)	4.68L	(0.05L)	0.11L	(nil)	-	-	-	-	-
Capital Radio	Yr to Sept 30 ★	120.6	(113.6)	25.7♠	(12.8♠)	19	(1.6)	10.5	Apr 6	9.45	15.25	13.75
Charlton AthleticΦ	Yr to June 30 ☆	5.77	(4.33)	2.01L	(1.76)	8.41L	(10.86)	-	-	-	-	-
CI Comms (TV) Φ	6 mths to Sept 30	5.75	(5.81)	0.447	(0.595)	2.86	(3.63)	1.3	Jan 30	1.3	-	3.3
Danka Business	6 mths to Sept 30★	906.7	(1,012)	1.77L	(43.1)	0.6L	(13.5)	nil	-	1.56	-	3.12
Deep-Sea LeisureΦ	6 mths to Aug 31	2.46	(1.53)	0.798	(0.436)	12.73	(6.96)	-	-	-	-	-
ED&F Man	6 mths to Sept 30	167.4	(144.2)	55.3	(61.2♥)	15.4	(17.9)	4	Jan 22	3.7	-	11.7
GEI Intl	6 mths to Sept 30	45.6	(37.3)	2.51	(1.09L♠)	4.47	(4.92L)	1.5	Apr 8	1.5	-	4.5
Gerrard	6 mths to Sept 30	-	(-)	20.4	(14.4)	18.5†	(13.5)	8	Dec 14	8	-	17
Graycoat	6 mths to Sept 30	12.8	(13.7)	5.6	(5.6)	5.2◆	(4.6)	-	-	-	-	1.5
Hansom Φ	6 mths to Sept 30	3.26	(3.23)	0.061	(0.1)	0.16	(0.26)	-	-	-	-	-
John Lusty	6 mths to Sept 30	25.7	(12.8)	1.01	(0.609)	0.32	(0.3)	nil	-	0.13	-	0.33
Lynx	Yr to Sept 30	180.9	(120.8)	13.3	(9.81)	8.67†	(6.83)	1.7	Apr 6	1.5	2.25	2
Oxford Instruments	6 mths to Sept 30	103.7	(94)	5.14	(7.29)	7	(10)	2.4	Apr 8	2.3	-	8.1
Pathfinder Props Φ	6 mths to Sept 30	7.83	(0.016)	0.51	(0.12L♠)	0.75†	(1.51L)	-	-	-	-	-
PowerGen	6 mths to Sept 27	1,355	(1,284)	156	(154)	18.6	(12.5L)	10	Dec 8	9	-	29
Staveley Inds	6 mths to Sept 26	150	(189.8)	6.3	(4.6♠)	4.1	(2.9)	2.5	Jan 7	2.5	-	9
Telewest Comms	9 mths to Sept 30	364	(282)	200.2L	(225L)	12.3L	(14.4L)	-	-	-	-	-
Terotrak	6 mths to Sept 30	0.959	(0.707)	1.87L	(0.651L)	1.86L	(0.64L)	-	-	-	-	-
Warner Howard	6 mths to Aug 31	12.7	(13.1)	3.65	(3.26♠)	10.4	(9.28)	3.85	Jan 4	3.85	-	12
Xenova	9 mths to Sept 30	3.89	(0.777)	10.4L	(8.93L)	44L†	(38L)	-	-	-	-	-
Young & Co's	6 mths to Sept 26	41.4	(39.6)	3.35	(2.64♠)	18.19	(14.07)	8.2	Dec 10	7.75	-	16.05

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Assets	Yr to Sept 30	134.1	(141.6)	18.8	(17.3)	5.82	(5.36)	1.36625‡	Jan 6	1.3337	4.985	4.825
Finsbury Worldwide	6 mths to Sept 30	171.7	(203.2)	0.159	(0.066)	0.4	(0.2)	-	-	-	-	0.25
Investors Capital	Yr to Sept 30	209.3	(217.1)	14.6	(15.4)	5.9	(6.6)	1.67‡‡	Dec 18	1.66	5.93	5.71
RIT Cap Partners	6 mths to Sept 30	370.1	(364.7)	4.83	(0.677)	2.7	(0.4)	-	-	-	-	1.82

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Comparatives for 13 mths. ‡Foreign income dividend. ‡‡Foreign income dividend element. ΦAim stock. ♣Irish currency. ★Comparatives restated. ◆On reduced capital.

Ladbroke Hilton ahead in quarter

By Charles Pretzlik

Ladbroke yesterday said its Hilton International hotel chain had increased profits in the third quarter despite a drop in UK occupancy levels.

"There were real signs of softening in London and it is continuing into October as well," the group warned.

Revenue per available room – a measure of the average price achieved across the business – rose between 6 and 7 per cent in the UK, compared with the same period a year ago.

However, this represented a slowdown from growth of more than 10 per cent at Hilton International in the first half.

Ladbroke, which owns the Hilton brand outside the US, said part of the slowdown was because of a clampdown on travel budgets by financial institutions in the City.

Hilton International enjoyed strong growth in continental Europe in the three months to September 30, with the main improvement coming in France.

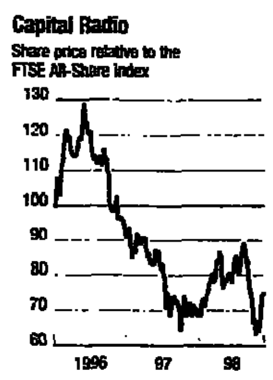
Hotels in the Middle East suffered from political instability, including last year's terrorist attack in Luxor, Egypt. The Kenyan market had also suffered from political instability, Ladbroke said, adding that trading in Asia and Australasia remained "very difficult".

Overall, the group said it "continued to make progress during the third quarter of 1998 with profit before taxation and exceptional items well ahead".

This year's profits will be hit by a £9m ($15m) charge to cover the launch costs of its National Lottery-style game, Easy Play.

COMMENT

Capital Radio



Source: Datastream/ICV

Advertising on radio used to be the media equivalent of voting Liberal: tactical. Now finally, it seems to be emerging as a strategy in its own right. Radio currently accounts for over 5 per cent of display advertising, up from 2 per cent in 1992. Back then, it was first to get lopped off marketing budgets when recession hit. Radio ad spending between 1990-92 collapsed nearly 20 per cent in real terms. The question is whether advertisers are now sufficiently wedded to the medium to stick with it as economic growth slows. The omens are good judging from the growth in Capital Radio's advertising revenues, up 12 per cent.

Capital's results were memorable for another reason. They should remind managements everywhere how much value can be destroyed through diversification. The restaurant acquisition cost £55m two years ago. Since then, the write-down on assets has amounted to £20m, and £9.5m has been lost on the disposal of part of the business. With operating profits at just £2.3m, the returns on investment are dismal. Managers with big appetites can be very dangerous.

Guardian Royal Exchange

Guardian Royal Exchange keeps plugging away at rationalising a set of businesses that resemble a necklace with some unsightly gaps. Its new life/health insurance combination is to be welcomed for pulling a few complementary beads together. While the immediate drivers include the need to cut costs and leverage up the £435m PPP acquisition, PPP lifetime care will be acting in markets with good long-term potential. Individuals are increasingly likely to seek cover for expensive care in their old age, and companies to buy products that minimise sickness costs. The snag is that a Labour government tends not to be good news for private healthcare, and a slowing economy slows sales of life assurance.

Now that this small part of the group has been given some coherence, the management is turning its attention to the much bigger problem of UK general insurance. But without a deal – like the CGU merger or Norwich Union's over-maligned purchase of London & Edinburgh – cost cuts will be more difficult to find. The prospect of group pre-tax profits plummeting by nearly two thirds this year should encourage contemplation of a radical solution.

Lonrho Africa suggests Soros link to Blakeney

By Andrew Edgecliffe-Johnson

Lonrho Africa turned on the fund manager trying to shake up its board and strategy yesterday, saying Blakeney Management's proposed non-executive directors were trying to take control of the sub-Saharan conglomerate without paying a premium.

The group also suggested George Soros, the hedge fund investor, was involved in Blakeney's attempt to oust three directors and sell assets because of his investments in some of Blakeney's associates. Joe Demby, a Blakeney director, dismissed such speculation as "garbage", saying: "It is a conspiracy theory. I have never discussed anything with George Soros."

Bernard Asher, chairman of Lonrho Africa, also suggested that Blakeney, which has 10.1 per cent of the company, could upset the company's relations with African politicians.

"We have received several inquiries from heads of government in Africa," he said. He pointed to the irreverent tone of Blakeney's letters to its shareholders, written by Miles Morland, saying: "Some of the jokes he makes are the sort of thing we find very painful."

In recent months, Mr Morland has made fun of Robert Mugabe, the Zimbabwean president, President Daniel arap Moi of Kenya and other African leaders in his shareholder letters.

Mr Demby said yesterday: "We have very good relations with government leaders. That is how we do our business." He accused Lonrho Africa of avoiding "the brutal fact" of its poor financial and share price performance.

Lonrho Africa hinted that it was implementing legal changes which would make disposals easier to achieve. "Changes in legal structure," thought to include setting up holding companies in the Netherlands, would "provide greater flexibility to the company in future," it said.

Analysts said such a measure might lessen the possible capital gains tax bill which would be generated by disposals. The company said it was working on 30 different disposals and acquisitions and that it would be guided by improving returns.

Mr Asher raised questions about the experience and record of Mr Morland, John Jackson and Dekel Golan, who Blakeney is proposing as replacements for Mr Asher and his two fellow non-executive directors.

NORMA COHEN
THE PROPERTY MARKET

Uncertainty in store

A recession inevitably means consumers have less spending power. But some retail outlets are hit harder than others

What kind of retail properties hold up best in a recession? This question is one of relevance as economic growth and retail spending typically go hand in hand – and economic pundits are slashing their growth forecasts for the next two years.

In the UK, shock waves followed the news that flagship retailer Marks & Spencer had its first profit decline in six years as Sir Richard Greenbury, chairman, described a "bloodbath" in clothing sales in September and October.

If M&S, often considered the UK's most ideal anchor tenant at large-scale shopping centres, is facing a slowdown in sales, what is the outlook for other retailers and their landlords?

Data from the last recession offer an interesting insight. According to property consultants Healey & Baker, from 1989 to 1993 the best returns of any retail property were earned by supermarkets. In 1990, these had the smallest decline in total returns at minus 5.5 per cent, and over the five-year period had total returns of 4.4 per cent.

Clive Vaughan, head of research at Verdict, the retail research organisation, says there is little surprise in those numbers. "In a recession, it's non-discretionary shopping which holds up best," he says. "It's food, chemists, tobacconists, newsagents."

Vincent Prior, partner in charge of European retail at consultants Jones Lang Wootton, says that in a recession it is the lower end of the price range that seems to hold up.

"The big growth sector last time was in discount food and discount fashion," he notes. "Chains like Poundstretcher and Kwik Save grew like Topsy."

Martin Barber, chairman of Capital & Regional, a UK listed property company specialising in catering to socio-economic C and D households, says retailers at several of his centres are reporting record sales in recent months. "Superdrug tell us they are trading their socks off at Walthamstow," Mr Barber says, referring to a shopping centre acquired in early 1997, adjacent to the longest street market in London.

The experience from the last recession in France is somewhat different, according to Leon Bressler, chairman and chief executive of Unibail, the country's largest listed property company and the dominant owner of French shopping centres.

"Retail property has resisted the recession very well, relative to office properties," Mr Bressler says, noting that shopping centres rose in value while French offices were plummeting. "And it was the biggest and strongest centres which did the best."

Unlike the UK or the US, the French economy shows little sign of an imminent slowdown. However, Mr Bressler points out that typically, such centres are anchored by hypermarkets whose operators, such as Auchon and Carrefour, have concentrated on offering "value" products. With high quality goods at low prices, these centres draw consumers who then browse in the 100 other retail outlets offering less price-sensitive merchandise.

However, Mr Prior argues that French shopping centres have been buoyed by their scarcity value – a by-product of a rigid French planning regime – and not necessarily by their appeal to a value-conscious consumer.

US retail properties offer a more mixed picture. Raymond Torto, principal of CB Richard Ellis/Torto Wheaton Research, a Boston-based econometric forecasting firm, says that if there is a recession in the US next year, retailing properties will be hit far worse than any other sector. While a recession will merely slow rental growth in the office, industrial and multi-housing sectors, retail real estate is likely to see rents fall by around 1.5 per cent in 1999, down from the 5.5 per cent growth rate forecast at present.

The reason, Mr Torto says, is that US retailing is emerging from its own recession, a period of consolidation and restructuring. "The retail sector needs a good economy to recover," he says. However, forecasting the behaviour of different retail property categories is almost impossible, he says.

Mike McCarty, head of marketing at Simon Property Group, the US's largest shopping mall operator, says the company has looked long and hard at the performance of various retail properties through different cycles.

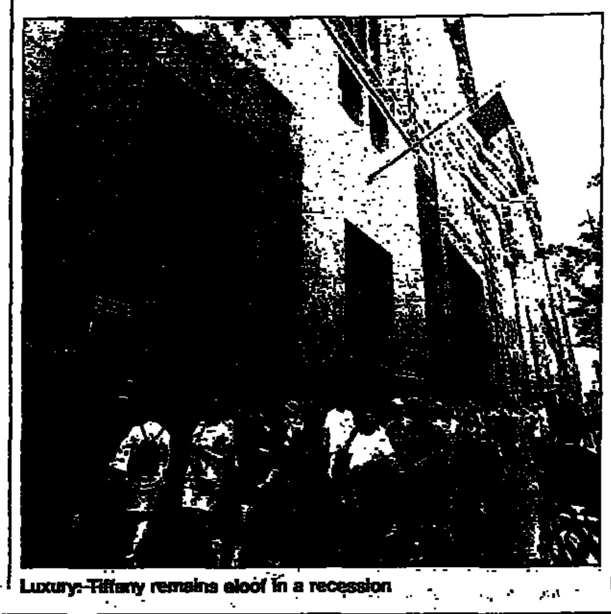
He says: "The movement in retail sales is much less elastic up or down than the economy would seem to dictate."

While some of the restraint may have been caused by consumers seeking better value for their dollars – they chose the $20 shirt at Wal-Mart instead of the $50 shirt at Nordstrom – "it doesn't explain all of it".

In Simon Property's experience, he says, what holds up best is the highest end of the luxury goods market – Saks Fifth Avenue and Tiffany. "These cater to a consumer with a vast amount of discretionary income to spend," he says, although he notes that these retailers account for a very small proportion of mall occupiers.

Also withstanding recession well, he says, are supermarket-anchored "convenience" malls, at the necessity end of the market.

Anecdotal evidence, then, suggests that recessions have a polarising effect on retail properties – at the highest and lowest end, survival is assured. The question remains about what happens to the vast majority of retail real estate which falls in between. It will take a full turn in the cycle to find out.



Luxury: Tiffany remains aloof in a recession

THE PROPERTY MARKET

مكرر من الأصل

EURO PRICES

EQUITIES

Gulf nerves take Europe lower

EUROPEAN OVERVIEW

By Vincent Boland

European shares closed a shade lower yesterday on a lack of market-sensitive corporate news and growing nervousness over a showdown between the US and Iraq. But they ended above the day's lowest levels after the Dow Jones Industrial Average posted early gains.

Analysts said the overall trading mood was still reasonably positive, but there were worries over whether the recent rally had peaked. They pointed to next week's interest rate decision from the US Federal Reserve as a key indicator of whether investors are prepared to push prices much higher.

The FTSE Eurotop 300 index fell 1.27 or 0.12 per cent to 1,077.94, although the narrower FTSE Eurotop 100 index managed to eke out a small gain, rising 1.67 points to 2,480.05. The FTSE Ebloc 100 index of shares in countries in the first wave of monetary union fell 3.37 to 889.85.

Performances across sectors were mixed, with individual stocks faring better. France Telecom rose Ecu 3.10 to Ecu 60.65 ahead of the sale of another tranche of shares by the French government. Investor roadshows are underway and bankers report strong interest ahead of the completion of the FFr50bn offering.

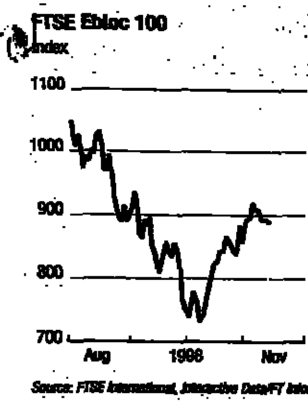
But Deutsche Telekom dropped Ecu 0.40 to Ecu 23.03 after the company announced price cuts and signalled a price war was shaping up among German telecoms.

Telecom Italia rose Ecu 0.30 to Ecu 6.38 ahead of the appointment of a new chief executive and criticism from Brussels of plans by the new Italian government to raise funds by imposing additional levies on telecoms groups.

Oils were helped as the oil price continued to push higher on rising tensions in the Gulf. BP rose Ecu 0.30 to Ecu 12.82 and Elf Aquitaine was up Ecu 2.40 at Ecu 104.70, but Petrofina was off Ecu 6.70 at Ecu 295.97.

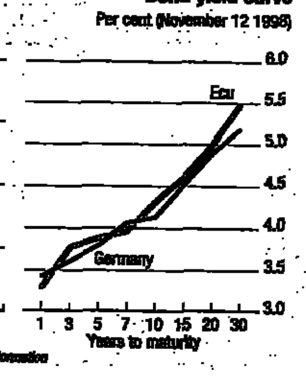
Cap Gemini rose Ecu 5.40 to Ecu 134.29 and Canal Plus jumped Ecu 7 to Ecu 215.47 as selective buying featured in a generally thin Paris market. Engineering stocks were a notably weaker sector, with Mannesmann shedding Ecu 2 to Ecu 82.39, while Michelin shed Ecu 2.60 to Ecu 34.82 after reporting disappointing nine-month figures.

FTSE Ebloc 100



Bond yield curve

Per cent (November 12 1998)



Source: FTSE International, Interactive Data/FT Information

THREE MONTH EURO FUTURES (LIFFE)

THREE MONTH EURO OPTIONS (LIFFE)

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

OTHER INDICES

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

November 12

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj yld	Total retn (Ecu)
FTSE Eurotop 300	1077.94	−0.12	−1.27	2.55	30.04	1114.78
FTSE Eurotop 100	2480.05	+0.07	+1.67	2.57	37.58	988.11
FTSE Ebloc 100	889.85	−0.38	−3.37	2.39	14.33	902.65
FTSE Eurotop 300 Regions						
Eurobloc	1118.81	−0.43	−4.87	2.25	20.87	1142.08
UK	1015.33	+0.10	+0.96	3.02	49.18	1081.19
Europe Ex-Eurobloc	1049.88	+0.21	+2.24	2.86	38.09	1094.62
Europe Ex-UK	1114.50	−0.22	−2.51	2.31	19.38	1134.74
FTSE Eurotop Industry Sectors						
RESOURCES	852.18	+1.73	+14.46	3.34	28.22	891.14
Extractive Industries	769.84	−2.06	−16.20	4.49	14.54	785.89
Oil, Integrated	823.22	+1.90	+15.38	3.29	21.73	843.15
GENERAL INDUSTRIES	963.00	−1.00	−9.89	2.90	20.31	982.39
Construction	912.49	−1.44	−13.38	3.03	11.06	923.10
Building Matls & Merchs	865.41	−0.44	−3.79	2.58	8.96	872.88
Chemicals	805.20	−1.32	−10.76	2.99	17.45	819.41
Diversified Industrials	880.47	−1.22	−10.84	2.89	17.48	895.57
Electronic & Elect Equip	832.02	−0.82	−6.92	2.00	5.41	838.56
Engineering	809.74	−1.18	−9.70	4.06	11.68	819.59
Paper, Pckg & Printing	771.29	−1.59	−12.43	3.01	1.21	772.25
CONSUMER GOODS	1131.05	+0.72	+8.12	1.66	49.50	1195.55
Automobiles	779.74	−0.55	−4.33	3.34	10.25	788.97
Alcoholic Beverages	880.10	+0.57	+5.08	3.03	296.79	1311.10
Food Producers	963.83	+1.43	+13.60	1.58	9.79	973.06
Household Goods & Texts	939.03	−1.54	−14.72	2.01	7.88	946.06
Healthcare	905.15	−0.17	−1.57	1.29	13.51	918.69
Pharmaceuticals	995.28	+0.76	+7.47	1.30	5.27	1000.69
Tobacco	1255.26	+0.66	+8.26	4.02	15.88	1272.51
SERVICES	1101.88	−0.34	−3.72	2.13	22.57	1132.18
Distribution	783.54	+0.48	+3.72	2.77	11.37	792.35
Leisure & Hotels	702.06	−1.19	−8.45	3.53	12.27	711.25
Media	951.92	−1.07	−10.28	2.32	10.68	982.09
Retailers, Food	1001.43	−0.76	−7.64	2.05	14.17	1015.92
Retailers, General	928.73	+0.34	+3.16	3.39	19.32	946.73
Telecommunications	1023.28	+0.19	+1.92	1.87	13.02	1035.71
Breweries, Pubs & Rests	748.21	+1.18	+8.72	3.58	16.00	761.45
Support Services	907.12	−1.15	−10.53	1.62	9.87	916.74
Transport	917.44	−0.62	−5.74	2.69	18.24	934.36
Information Technology	883.99	−1.94	−17.11	0.42	2.33	886.04
UTILITIES	1423.42	+0.54	+7.62	3.10	55.62	1503.04
Electricity	1065.10	+0.41	+4.38	3.29	26.23	1093.55
Gas Distribution	1156.48	+0.86	+9.89	1.61	93.32	1273.35
Water	1062.16	+0.64	+6.80	4.78	38.72	1102.73
FINANCIALS	1128.30	−0.55	−6.19	2.89	27.32	1158.48
Banks,Retail	773.90	−0.49	−3.82	3.77	12.86	784.29
Insurance	885.35	−0.63	−5.63	1.57	11.79	896.03
Life Insurance	1035.79	−0.57	−5.89	1.88	12.98	1049.24
Other Financial	818.19	−0.23	−1.89	2.36	15.85	831.85
Investment Companies	881.75	−1.66	−14.86	1.54	20.86	898.24
Property	709.81	−0.71	−5.05	3.47	16.01	722.85

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FTSE EUROTOP 300

CURRENCIES & MONEY

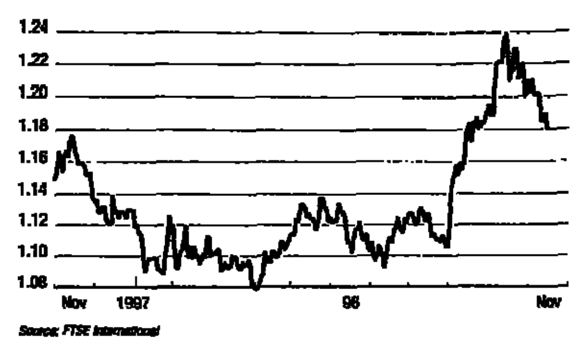
FT SYNTHETIC EURO RATES

Nov 12	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.062715	−0.0003	+0.00	+0.0001	+0.00
Belgium	BEF	41.206225	+0.0025	+0.01	−0.0046	−0.01
Czech Republic	CZK	35.391095	+0.0686	+0.19	+0.2302	+0.65
Denmark	DKK	7.589415	−0.0008	−0.01	−0.0014	−0.02
Finland	FIM	6.073552	−0.0005	−0.01	−0.0016	−0.03
France	FRF	6.887900	+0.0008	+0.01	−0.0002	+0.00
Germany	DEM	1.987416	−0.0000	+0.00	−0.0001	+0.00
Greece	GRD	334.847776	−0.2448	−0.07	−0.6246	−0.19
Hungary	HUF	258.223314	+0.3251	+0.13	+1.0982	+0.43
Ireland	IEP	0.802412	−0.0004	−0.04	−0.0000	−0.00
Italy	ITL	1975.988954	+0.1364	+0.01	+0.5942	+0.03
Luxembourg	LUF	41.206225	+0.0025	+0.01	−0.0046	−0.01
Netherlands	NLG	2.252064	+0.0000	+0.00	−0.0001	+0.00
Norway	NOK	8.902409	+0.0330	+0.37	+0.0075	+0.08
Poland	PLN	4.084632	−0.0078	−0.19	−0.0155	−0.38
Portugal	PTE	204.580003	−0.0592	−0.03	+0.1035	+0.05
Romania	ROL	11655.626685	−100.2885	−0.85	−118.9034	−1.01
Russia	RUB	21.358324	+2.0776	+10.78	+2.6555	+14.20
Slovakia	SKK	43.202815	+0.1127	+0.26	+0.6799	+1.60
Spain	ESP	169.757373	−0.0443	−0.03	−0.0699	−0.04
Sweden	SEK	9.576907	+0.0987	+0.99	+0.1779	+1.89
Switzerland	CHF	1.646007	−0.0021	−0.13	+0.0075	+0.45
United Kingdom	GBP	0.713911	−0.0026	−0.36	−0.0088	−1.22
ECU	ECU	1.015405	+0.0001	+0.01	−0.0029	−0.28
Americas						
Brazil	BRL	1.405047	−0.0117	−0.83	−0.0199	−1.39
Canada	CAD	1.827968	−0.0124	−0.67	+0.0043	+0.24
Mexico	MXN	11.863900	−0.0503	−0.42	−0.0333	−0.28
United States	USD	1.180018	−0.0102	−0.85	−0.0166	−1.39
Pacific/Middle East/Africa						
Australia	AUD	1.870800	−0.0161	−0.85	−0.0331	−1.74
Hong Kong	HKD	9.136987	−0.0785	−0.85	−0.1293	−1.40
Japan	JPY	146.168816	+1.2060	+0.83	+6.4839	+4.64
Singapore	SGD	1.957650	−0.0073	−0.37	+0.0152	+0.78
South Africa	ZAR	6.791003	−0.0013	−0.02	+0.1259	+1.88

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1623, NLG 0.0577, BEF 0.0366, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per Euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 12	Fixed rate	Market rate	Diff fxd v mid %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0354	+0.00	−0.01	7.0353	3.58	−0.01
Belgium	20.6255	20.6298	+0.02	+0.02	20.6276	3.51	−0.08
France	3.35386	3.3533	−0.02	−0.03	3.353	3.52	−0.07
Finland	3.04001	3.0407	+0.02	+0.06	3.0408	3.61	+0.02
Ireland	0.402676	0.4017	−0.24	−0.23	0.4019	3.97	+0.38
Italy	990.002	989.2775	−0.07	−0.10	990.0804	4.2	+0.61
Luxembourg	20.6255	20.6298	+0.02	+0.02	20.6276	3.51	−0.08
Netherlands	1.12674	1.1275	+0.07	+0.06	1.1271	3.32	−0.27
Portugal	102.505	102.4724	−0.03	+0.04	102.4712	3.58	−0.01
Spain	85.0722	84.9885	−0.10	−0.05	85.0268	3.93	+0.34
Germany	1		+0.00	+0.00		3.59	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Nov 12	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.55	3.58	3.64	3.68	6.47	6.50	5.02	5.05	0.36	0.39
2 year	3.58	3.61	3.61	3.65	6.09	6.13	5.00	5.03	0.42	0.45
3 year	3.68	3.71	3.70	3.74	6.06	6.10	5.07	5.10	0.52	0.55
4 year	3.82	3.85	3.83	3.87	6.05	6.09	5.13	5.16	0.64	0.67
5 year	3.97	4.00	3.98	4.02	6.01	6.05	5.18	5.21	0.74	0.77
6 year	4.12	4.15	4.13	4.17	5.96	6.00	5.25	5.28	0.85	0.88
7 year	4.24	4.27	4.25	4.29	5.92	5.96	5.32	5.35	0.97	1.00
8 year	4.36	4.39	4.37	4.41	5.88	5.92	5.37	5.40	1.08	1.11
9 year	4.46	4.49	4.47	4.51	5.85	5.89	5.43	5.46	1.20	1.23
10 year	4.55	4.58	4.56	4.60	5.83	5.87	5.50	5.53	1.32	1.35
12 year	4.71	4.74	4.72	4.76	5.81	5.86	5.65	5.68	1.54	1.58
15 year	4.90	4.93	4.90	4.94	5.79	5.85	5.78	5.81	1.76	1.80
20 year	5.10	5.13	5.10	5.14	5.76	5.83	5.90	5.93	1.95	2.00
25 year	5.24	5.27	5.24	5.28	5.75	5.82	5.90	5.93	2.03	2.08
30 year	5.31	5.34	5.31	5.35	5.73	5.81	5.93	5.96	2.11	2.16

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Nov 12	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.230	4.39	−0.02	−0.03	+0.07
France (Rep of)	04/08	5.250	AAA	107.700	4.24	−0.03	−0.09	−0.08
Italy (Rep of)	05/08	5.000	AA	104.190	4.45	−0.01	−0.21	+0.13

GOVERNMENT BOND SPREADS vs ECU

Nov 12	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	−0.05	+0.02	+0.24	+0.05	−0.37	−0.05
Belgium	−0.11	+0.01	+0.17	+0.11	+0.01	−0.09
Finland	−0.14	+0.07	+0.26	+0.18	−0.50	−0.98
France	−0.16	−0.11	−0.07	−0.07	−0.04	−0.28
Germany	−0.14	−0.08	+0.10	−0.18	−0.10	−0.29
Ireland	−0.04	+0.01	+0.15	+0.14	+0.17	+0.39
Italy	+0.09	+0.09	+0.23	+0.21	+0.18	+0.03
Luxembourg	−0.11	+0.01	+0.17	+0.11	+0.01	−0.09
Netherlands	−0.09	+0.00	+0.16	−0.08	+0.12	−0.29
Portugal	−0.15	+0.10	+0.34	+0.18	+0.26	+0.04
Spain	−0.16	+0.00	+0.30	+0.25	+0.12	−0.02
"Outs"						
Denmark	+0.35	+0.41	+0.47	+0.32	+0.04	+0.37
Greece	+6.59	+5.07	+3.91	+3.29	+2.39	+1.91
Sweden	+0.25	+0.34	+0.50	+0.33	+0.18	−0.30
UK	+1.81	+1.88	+1.09	+0.87	−0.73	−0.84

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Eco curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

INTERNATIONAL CAPITAL MARKETS

Sea change in Asian bond environment

By Louise Lucas in Hong Kong

Asia has been at the forefront of the bond market rally: spreads on US dollar denominated bonds from Asian issuers have almost halved from last month's levels and retail funds are being launched to capitalise on investor demand.

Carlos Cordeiro, a managing director at Goldman Sachs Asia, attributes a greater willingness to distinguish between emerging markets to what he calls the "turbo-charged" rally of the region's bond market.

"Going to the IMF meeting [last month] was like going to a funeral. I don't think the meetings were a catalyst, but there has been a complete sea change in the environment. In the dark days of September you had bonds from Korea, the Philippines and Thailand approaching 1,000 basis points over US Treasuries. Those bonds are now below 500 basis points."

However, stalled issues – including from Thailand, the Philippines and South Korea – are unlikely to happen yet, bankers say. Bond trading activity is quiet in the run-up to the year-end as books are closed and investors know volatile swings could recur at any time.

There have been several engines for Asia's rally. US interest rate cuts and a stronger yen have lifted many Asian currencies and allowed lower interest rates.

At the same time, Asian currencies are strengthening, helped partly by the evacuation of hedge funds and the return of counterparties such as insurance companies and mutual funds, which are looking for better returns and feel that countries like Thailand and South Korea are making progress on reforms.

Domestic liquidity is also returning. Philip Hamilton, regional head of the emerging markets high-yield division at ING Barings, points to South Korea, one of the strongest performers on the bond side. "The banks are coming back to market and buying short-term paper – a typical indication that recovery is on the way," he says.

But the recovery is unlikely to be smooth or swift. Asian bond yields are on a relatively steep curve compared with other markets, from about 450 basis points at the short end to between 700 and 800 basis points for long maturities.

The ballooning of spreads scared investors, who will want more comfort this time. Issuers, and certain governments, realise this and may return in a different guise from the standard sovereign issues.

Rather than a roll call of sovereigns, followed by quasi-sovereigns and then blue-chips, Mr Hamilton expects a wave of issues from the latter with supranational support or guarantees.

There has already been evidence of this. The Electricity Generating Authority of Thailand launched a $300m issue with guarantees from the World Bank and Thailand, which helped whet cautious investors' appetite.

The World Bank has said it is keen to back more Asian debt, as is the Asian Development Bank – although both see it as a short-term device.

Prices rise on safe-haven buying

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Prices ended comfortably higher yesterday as stock markets fell and bond markets, enlivened by the possibility of military strikes against Iraq, attracted renewed safe-haven buying.

Asian equities were especially weak overnight, setting a positive tone for bonds throughout the day.

US Treasuries rose in early trading on the back of a dollar that was strengthening partly because of rising tension in the Gulf. They later fell back, but were still higher on the day.

"Equity markets are still determining bond market direction. Tensions in the Gulf were boosting the dollar, which encouraged some Japanese buying of US Treasuries and European bonds," said James Mitchell, senior strategist at Nomura.

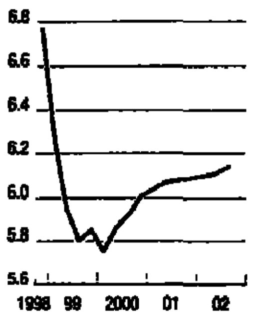
Prices were also supported by Sweden cutting both its deposit and lending rates by 50 basis points. Swedish short-dated yields fell, while the long end of the yield curve was boosted by buying in foreign bond markets.

However, Mr Mitchell said trading volume could be low today and in the run-up to the US Federal Reserve's open market committee meeting next week. "Prospects are still pretty good, but levels of activity could still be fairly subdued going into the meeting," he said.

US Treasuries fell back from morning highs as tensions continued to rise between the UN and Iraq.

By early afternoon the 30-year Treasury bond was still up $\frac{1}{32}$ to 99$\frac{28}{32}$, yielding 5.256 per cent.

UK implied interest rates
Derived from short sterling contracts (%)



Source: Datastream/ICV

Among shorter-term issues, 10-year notes up $\frac{5}{32}$ to 99$\frac{22}{32}$, yielding 4.778 per cent, and two-year notes up $\frac{1}{32}$ to 99¾, yielding 4.470 per cent.

Iraq displaced the direction of interest rates as the focus of trading in the morning, sending the dollar and gold prices higher.

"In the morning it [sentiment on interest rates] gave us a bit of a bid initially, but now it's faded and people may be more worried that Iraq may get out of hand," said Kevin Logan, senior market economist at Dresdner, Kleinwort Benson.

The US Labor Department reported that the number of new unemployment claimants rose by 12,000 to 321,000 in the week ending November 7.

UK gilts outperformed bunds, with the spread in the cash market between the benchmark gilt and bund contracts narrowing by 4 basis points to 88 basis points.

The December 10-year gilt future settled 0.51 points higher at 114.88, mostly as other bond markets rallied and UK shares weakened.

However, the rally fizzled out with the contract just short of the week's high of 115.25. Volume was modest, with 36,000 contracts changing hands.

December short sterling contracts were trading at levels that implied UK interest rates will stay steady at 6.75 per cent until the end of the year.

The only focus domestically today is expected to be a Debt Management Office announcement of the result of its gilt conversion offer, of 8 per cent stock due 2009 into 5.75 per cent stock maturing in 2009.

German bunds broke out of their recent narrow trading ranges as US Treasuries strengthened, German stocks fell and technical factors improved.

The December 10-year bund future was 0.40 higher in late trading at 112.53, but off an intra-day high of 112.77.

Citic to issue domestic bonds

By James Harding in Shanghai

China International Trust and Investment Corp (Citic), China's main trust and investment company, will issue domestic bonds worth RMB700m ($85m) next week.

The bond issue comes as China's trust and investment corporations face a squeeze on credit following the closure of the prominent Guangdong International Trust and Investment Corporation (Gitic) last month.

The three-year bonds will not aim to test international investor sentiment as the bonds are expected to be issued on one of the domestic exchanges – either Shenzhen or Shanghai – according to China Securities, an official newspaper. The annual coupon on the bonds will be 6.5 per cent.

Money raised would be used to finance construction of a highway in the south-western province of Sichuan and a bridge in Ningbo city in the eastern coastal province of Zhejiang.

Moody's, the international credit rating agency, said last month it was considering downgrading Citic's long-term foreign currency debt, commercial paper and financial strength ratings.

The announcement of a review of Citic's financial health was accompanied by the downgrade of several provincial trust and investment companies, or Itics, underlining the uncertainty that surrounds the sector after the Gitic closure.

Citic sought to distance itself from other troubled Itics, stressing that its key assets and profits did not come from the trust business, and that its management strategy and financial base were sound.

Shell Finance raises $500m

INTERNATIONAL BONDS

By Edward Luce, Capital Markets Editor

Shell Finance, the funding arm of the UK half of the Anglo-Dutch oil group, yesterday made its debut in the international bond markets with a $500m offering.

Proceeds from the five-year deal, led by ABN Amro and Morgan Stanley Dean Witter, will be used to retire Shell debt in the commercial paper market. The company will reduce its funding costs and extend the tenure of its liabilities with yesterday's transaction.

Officials reported very strong interest from European, especially Swiss, retail investors. UK institutions also bought heavily. The issue, which was priced to yield 50 basis points over the Treasury benchmark, tightened two basis points in the after-market. Shell, which has a medium-term note programme, is rated AAA.

KfW, the German development bank, issued a $1bn five-year deal to take advantage of more liquid conditions in the euro-markets.

The bank, which issued D-Mark and dollar-denominated jumbo bonds early in the year, is expected to offer a euro-denominated jumbo in the medium term.

KfW hopes its bonds will be viewed as surrogates for government bonds after European monetary union.

ABN Amro, joint lead with Goldman Sachs and Deutsche Bank, reported strong demand from Asian and European central banks. The bond, which was priced to yield 52 basis points over the benchmark, was trading flat to re-offer last night.

"This is the largest pure eurobond for several weeks and it proves that European investor demand is recovering," said an official.

Other borrowers thought to be coming to the market in the near future include Walt Disney, Italy and AMP, the Australian life assurance company.

There is still no sign of planned high-yield issues in European currencies.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
KfW International Finance	1bn	5.00	100.031R	Nov 2003	0.25R	+52(4¼Nov03)	ABN/Deutsche/Goldman
Shell Finance UK	500	5.00	99.996R	Nov 2003	0.25R	+50(4¼Nov03)	ABN Amro/M Stanley DW
European Inv'ment Bank(a)	250	4.75	99.256R	Oct 2003	0.25R	+43(5¾Aug03)	Morgan Stanley/Warburg
SunAmerica Inst Funding III	250	5.375(s)	99.559	Nov 2003	0.25	+98(4¼Nov03)	Merrill Lynch Intl
GECC(b)	200	5.00	99.845	Nov 2003	0.25	+48(5¾Aug03)	Warburg Dillon Read
D-MARKS							
Verbundgesellschaft	500	4.75	99.84R	Dec 2008	0.375R	+62(5¼Jan08)	Merrill Lynch CM Bank
STERLING							
European Inv'ment Bank(c)	150	7.25	104.7114	Jun 2002	0.225	-	Salomon Smith Barney
GECC	125	5.50	98.80(s)	Jun 2021	0.45	+73(8¾Jun21)	Merrill Lynch Intl
FRENCH FRANCS							
M Stanley Dean Witter‡	1.3bn	(d)	100.915	Dec 2000	1.125	-	Morgan Stanley DW
EUROS(e)							
GMAC	500	4.625	99.961R	Dec 2004	0.375R	+80(f)	JPM/Paribas/Warburg
CANADIAN DOLLARS							
Canada Mtg & Hsng Assoc	650	5.00#(s)	99.042R	Jun 2004	0.25R	+18(8½Jun04)	Merrill/RBC/TD Securities
LUXEMBOURG FRANCS							
Bayer Hypo & Vereinsbank	2bn	5.00	102.60	Dec 2008	2.00	-	BGL

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $750m. Plus 28 days accrued. b) $400m launched 23/10/98 increased to $600m. c) Fungible with £675m. Plus 162 days accrued. d) 3-mth Pibor +50bp. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 12	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.1530	4.72	+0.13	+0.16	+0.32	−0.31
	08/08	8.750	128.4184	5.25	+0.11	+0.13	+0.10	−0.79
Austria	07/00	5.875	103.6000	3.69	+0.01	+0.03	−0.12	−1.09
	01/08	5.000	104.4600	4.40	−0.03	-	−0.06	−1.32
Belgium	01/00	4.000	100.5700	3.49	−0.02	+0.05	+0.01	−0.97
	03/08	5.750	110.2300	4.39	−0.02	+0.01	−0.03	−1.38
Canada	12/00	8.000	100.3800	4.60	−0.02	+0.01	+0.21	+0.67
	06/08	6.000	106.3500	5.15	−0.04	−0.04	+0.11	−0.30
Denmark	11/00	8.000	109.3500	4.01	−0.02	−0.02	−0.28	−0.84
	11/07	7.000	116.8700	4.65	−0.03	-	−0.13	−1.49
Finland	01/99	11.000	101.1835	3.07	+0.01	+0.05	+0.06	−1.36
	04/08	6.000	111.8240	4.46	−0.04	−0.02	−0.18	−1.37
France	07/00	4.000	100.7900	3.49	+0.02	+0.05	-	−1.01
	10/05	7.750	122.9850	3.90	−0.03	+0.01	−0.05	−1.49
	10/08	8.500	133.8500	4.25	−0.04	−0.01	−0.11	−1.41
	04/29	5.500	104.5100	5.20	−0.02	−0.01	−0.01	−1.03
Germany	06/00	4.000	100.7300	3.50	+0.01	+0.08	+0.04	−0.86
	10/05	6.500	114.4500	4.06	−0.01	+0.01	−0.11	−1.36
	07/08	4.750	104.4700	4.17	−0.02	+0.02	+0.03	−1.50
	01/28	5.625	106.2800	5.20	−0.02	−0.03	+0.01	−1.06
Ireland	10/01	6.500	107.5800	3.72	−0.01	+0.02	−0.13	−1.84
	08/08	6.000	112.1500	4.44	−0.01	+0.02	−0.13	−1.70
Italy	04/01	4.500	101.7900	3.70	−0.02	+0.03	−0.18	−1.76
	07/03	4.500	102.4900	3.91	−0.02	-	−0.23	−1.82
	05/08	5.000	104.3300	4.43	−0.03	−0.02	−0.18	−1.76
	11/27	6.500	115.7900	5.41	−0.03	+0.02	−0.13	−1.28
Japan	12/00	6.900	113.8400	0.24	−0.02	−0.05	−0.14	−0.27
	12/03	4.100	117.5600	0.59	−0.03	−0.06	−0.10	−0.72
	06/08	1.800	108.6800	0.86	−0.03	−0.03	-	−0.91
	03/18	2.700	120.9700	1.45	−0.03	−0.04	+0.03	−1.08
Netherlands	05/00	9.000	107.7100	3.56	+0.04	+0.07	+0.05	−0.92
	07/08	5.250	107.6500	4.26	−0.02	+0.02	−0.01	−1.39
New Zealand	02/01	8.000	105.2906	5.41	+0.03	+0.15	+0.24	−1.54
	07/09	7.000	110.1024	5.72	+0.03	+0.12	+0.09	−1.02
Norway	01/99	9.000	100.1110	7.87	+0.01	−0.02	−0.01	+3.34
	01/07	6.750	107.5500	5.57	−0.02	+0.01	−0.13	−0.23
Portugal	03/00	5.375	102.3200	3.56	-	+0.04	+0.07	−1.59
	06/08	5.375	106.5900	4.51	−0.01	-	−0.09	−1.55
Spain	04/00	6.750	104.3500	3.50	+0.07	+0.01	+0.02	−1.38
	01/08	6.000	111.2600	4.48	−0.02	−0.02	−0.16	−1.56
Sweden	05/00	10.250	108.8740	3.85	−0.08	−0.09	−0.49	−1.32
	05/08	6.500	114.0380	4.63	−0.08	+0.01	−0.21	−1.75
Switzerland	06/00	4.500	104.6400	1.48	−0.01	+0.06	+0.22	−0.68
	01/08	4.250	113.4700	2.58	−0.02	−0.06	−0.21	−1.11
UK	11/01	7.000	104.6600	5.29	−0.03	+0.14	-	−1.94
	12/03	6.500	108.7800	4.97	−0.04	+0.10	−0.03	−1.98
	10/08	9.000	131.1400	4.98	−0.07	−0.04	−0.17	−1.80
	12/28	6.000	122.2100	4.82	−0.09	−0.18	−0.31	−2.05
US	09/00	4.500	99.9420	4.53	−0.05	−0.02	+0.42	−1.20
	08/03	5.250	103.0757	4.52	−0.03	-	+0.16	−1.38
	05/08	5.625	105.9939	4.83	−0.05	−0.05	+0.10	−1.05
	08/28	5.500	102.9682	5.30	−0.04	−0.05	+0.19	−0.86
ECU	07/00	4.000	100.7600	3.51	-	+0.02	−0.05	−1.30
	04/08	5.250	107.4800	4.27	−0.02	−0.01	−0.11	−1.56

London closing. * New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 12	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.26	+1.12	+0.49	New Zealand	5.72	+1.58	+0.95
Austria	4.37	+0.23	−0.40	Norway	5.58	+1.44	+0.81
Belgium	4.43	+0.29	−0.34	Portugal	4.50	+0.36	−0.27
Canada	5.15	+1.01	+0.38	Spain	4.57	+0.43	−0.20
Denmark	4.64	+0.50	−0.13	Sweden	4.65	+0.51	−0.12
Finland	4.50	+0.36	−0.27	Switzerland	2.68	−1.46	−2.09
France	4.25	+0.11	−0.52	UK	4.99	+0.85	+0.22
Germany	4.14	-	−0.63	US	4.77	+0.63	-
Ireland	4.46	+0.32	−0.31	ECU	4.32	+0.18	−0.45
Italy	4.53	+0.39	−0.24				
Japan	0.86	−3.28	−3.91				
Netherlands	4.24	+0.10	−0.53				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 12	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	89.9645	11.91	+0.21	+1.21	+7.45
Poland	07/04	7.125	BBB−	103.4723	6.36	+0.02	+0.12	+1.84
Russia	06/07	10.000	n/a	21.0000	51.25	+3.66	−8.03	+46.55
LATIN AMERICA								
Argentina	09/27	9.750	BB	85.7500	11.45	−0.06	+0.46	+6.23
Brazil	05/27	10.125	BB−	70.5000	14.48	+0.29	−0.55	+9.26
Mexico	05/26	11.500	BB	105.0000	10.92	−0.01	−0.37	+5.72
ASIA								
China	07/06	7.750	BBB+	103.1595	7.19	−0.08	−1.57	+2.55
Philippines	10/16	8.750	BB+	91.0000	9.83	−0.72	−2.38	+4.87
Thailand	04/07	7.750	BBB−	87.7488	9.93	+0.21	−0.97	+5.23
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	102.8138	7.26	+0.21	+0.02	+2.77
South Africa	10/06	8.375	BB+	88.4320	10.60	+0.07	−1.25	+5.96
Turkey	09/07	10.000	B	88.0000	12.29	+0.54	−1.83	+7.59
BRADY BONDS								
Argentina	03/23	5.750	BB	69.6250	9.11	−0.12	−0.22	+3.98
Brazil	04/14	5.000	BB−	62.5000	13.25	+0.19	−0.10	+8.34
Mexico	12/19	6.250	BB	75.1250	8.88	−0.02	−0.38	+3.85
Venezuela	03/20	6.750	B+	63.8750	11.24	+0.01	+0.84	+6.18

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.90	109.29	+0.32	109.40	108.86	55,714	90,667

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	-	-	PUTS Dec	-	-
107	2.31	-	-	0.02	-	-
108	1.39	-	-	0.07	-	-
109	0.60	-	-	0.31	-	-
110	0.17	-	-	0.88	-	-

Est. vol. total, Calls 3,954 Puts 8,830. Previous day's open int., Calls 31,035 Puts 38,886.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		112.47	+0.25			0	4269
Mar		112.78	+0.25			0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.21	112.46	+0.36	112.77	112.17	388,228	840,030
Mar	112.60	112.77	+0.29	113.03	112.60	2,617	29,457

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
11200	0.71	1.22	1.38	0.24	0.44	0.60
11250	0.41	0.92	1.08	0.44	0.64	0.81
11300	0.21	0.67	0.84	0.74	0.89	1.06

Est. vol. total, Calls 0 Puts 6. Previous day's open int., Calls 5505 Puts 4830

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.75	107.74	+0.01	107.95	107.66	116,250	269,244
Mar	107.54	107.51	+0.05	107.54	107.54	101	14,202

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.40	110.66	+0.21	110.86	110.35	19217	50487
Mar	110.61	110.58	+0.17	110.66	110.61	2100	10

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Jan	PUTS Dec	Jan
11050	0.44	0.82	0.28	0.76
11100	0.21	0.59	0.55	1.03
11150	0.08	0.41	0.92	1.35

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 716 Puts 2403

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.00	114.30	+0.29	114.54	114.00	43,421	50,526
Mar	-	113.70	-	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		107.47	+0.15			0	1571
Mar		107.62	+0.15			0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.45	114.88	+0.51	115.18	114.42	39365	114512
Mar		114.98	+0.51			0	0

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
11400	0.87	1.52	1.87	0.49	1.04	1.49
11500	0.60	1.28	1.71	0.72	1.28	1.73
11550	0.41	1.03	1.48	1.03	1.55	2.00

Est. vol. total, Calls 2068 Puts 273. Previous day's open int., Calls 48116 Puts 35712

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	127-09	128-05	+0-27	128-08	127-07	343,684	645,511
Mar	126-29	127-25	+0-28	127-26	126-29	12,391	147,176
Jun	-	127-08	+0-28	-	127-08	98	3,448

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	138.86	138.95		138.99	138.84	1012	n/a
Mar	138.17	138.22		138.17	138.11	110	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.15	103.60	+0.70	103.25	103.15	40	316

US CORPORATE BONDS

Nov 11	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	106.0289	5.39	-	−0.14	+0.89
NY Tel	08/25	7.00	A+	100.6228	6.94	−0.01	−0.05	+1.67
CWE	05/08	8.00	BBB	113.2423	6.13	−0.01	−0.18	+1.31
FINANCIALS								
GECC	05/07	8.75	AAA	119.9760	5.74	−0.01	−0.03	+0.92
Banc One	08/02	7.25	A	105.5412	5.57	−0.10	−0.39	+1.07
CNA Fin	01/18	6.95	A−	93.9612	7.54	−0.01	+0.18	+2.27
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1115	5.89	−0.01	+0.76	+1.56
Wal Mart	05/02	6.75	AA	104.9819	5.17	-	+0.03	+0.67
Dayton Hud	08/21	9.70	BBB+	131.0833	6.95	−0.03	−0.03	+1.68
AGENCIES								
FHLMC	04/07	7.14	N/A	111.0838	5.48	−0.04	+0.08	+0.66
SLMA	03/00	7.50	N/A	102.9454	5.15	−0.05	+0.47	+0.65
FNMA	02/18	8.95	N/A	135.5030	5.85	−0.04	+0.12	+0.58
FFCB	06/06	8.95	N/A	121.5513	5.43	−0.07	+0.05	+0.61
HIGH YIELD								
Stone Cont	02/01	9.88	B	100.2500	0.00	-	-	-
AK Stl	12/01	9.13	BB−	105.5000	0.00	-	-	-
Pacalta	06/04	10.75	B−	88.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8	One month	-	Two year	4.45
Broker loan rate	6¾	Two month	-	Three year	4.52
Fed.funds	5	Three month	4.51	Five year	4.43
Fed.funds at intervention	-	Six month	4.56	10-year	4.75
		One year	4.51	30-year	5.23

INTERNATIONAL BONDS

Nov 12	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	109.5054	4.35	−0.01	−0.11	+0.13
Spain	01/07	5.750	AA	109.1173	4.39	−0.01	−0.07	[illegible]
Philip Morris	03/04	5.375	A	103.8413	4.54	−0.01	−0.12	[illegible]
Finland FRN	09/02	3.531	AA	100.5596	3.15	-	−0.06	[illegible]
EURO FFR								
Austria	01/04	5.500	AAA	106.8700	4.00	−0.03	−0.14	+0.16
Abbey Nat	02/04	6.000	AA	109.0900	4.04	−0.03	−0.14	+0.20
Cred Foncier	02/04	9.125	A	122.1600	4.32	-	−0.11	+0.48
3CIF FRN	12/01	3.617	AA−	98.8946	3.50	−0.02	−0.06	−0.10
EURO LIRA								
EIB	02/07	7.000	AAA	117.5300	4.41	−0.03	−0.11	−0.01
Abbey Nat	02/02	6.800	AA	108.6500	3.91	−0.01	−0.21	+0.04
Walt Disney	06/00	8.625	A	106.8000	4.10	+0.03	−0.05	+0.35
EIB FRN	03/01	4.743	AAA	100.0576	3.50	-	−0.19	−0.26
EURO £								
EIB	12/07	7.625	AAA	114.8335	5.50	−0.05	−0.44	+0.56
Dresdner Bk	12/07	7.750	AA−	106.2572	6.80	−0.06	−0.11	+1.86
British Gas	03/00	7.625	A+	101.6206	6.31	−0.03	−0.30	+0.84
Abbey Nat FRN	02/02	7.900	AA	99.9491	5.08	−0.03	−0.27	−0.04
EURO $								
EIB	04/07	7.250	AAA	112.6700	5.34	−0.08	−0.06	+0.64
ABN Amro	06/07	7.125	AA−	104.6244	6.40	−0.05	+0.14	+1.70
Quebec	01/07	7.000	A+	107.9365	5.77	−0.06	+0.09	+1.07
Citicorp FRN	02/04	5.750	A+	96.8275	6.51	−0.05	+0.12	+1.99
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.3447	5.47	−0.03	+0.01	+0.15
Toronto	05/04	8.500	AA+	114.3694	5.41	−0.03	-	+0.08
Bell Canada	07/99	10.625	A+	103.3272	5.23	−0.02	+0.19	+0.96
Deutsche B FRN	09/02	5.875	AA+	101.3075	5.49	−0.03	+0.19	+0.31
EURO YEN								
World Bank	03/02	5.250	AAA	116.3640	0.32	−0.03	−0.17	−0.18
Spain	03/02	5.750	AA	117.8022	0.39	−0.03	−0.09	−0.11
Cred Foncier	08/02	4.750	A	114.2070	0.86	−0.03	−0.09	+0.38
Italy FRN	07/99	0.461	AA	100.0785	0.17	+0.01	+0.17	+0.01

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Nov 12	Day's change %	Wed Nov 11	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.14	0.06	121.19	2.22	8.77
2 5-15 years (20)	172.19	0.39	171.71	3.32	8.41
3 Over 15 years (4)	226.50	0.82	224.67	4.95	8.20
4 Irredeemables (4)	305.33	1.16	301.83	5.44	9.67
5 All stocks (45)	163.88	0.38	163.39	3.20	8.80
Index-linked					
6 Up to 5 years (2)	225.12	0.00	225.12	0.29	5.92
7 Over 5 years (9)	247.20	0.19	246.74	1.30	5.86
8 All stocks (11)	242.96	0.16	242.58	1.12	5.93

UK Indices

	Low coupon yield Nov 12	Nov 11	Yr. ago	Medium coupon yield Nov 12	Nov 11	Yr. ago	High coupon yield Nov 12	Nov 11	Yr. ago
5 yrs	5.11	5.14	6.75	5.17	5.21	6.86	5.13	5.16	6.88
15 yrs	4.76	4.83	6.56	4.93	4.99	6.55	4.98	5.03	6.62
20 yrs	4.69	4.76	6.56	4.88	4.95	6.52	4.97	5.03	6.61
Irred.†	4.97	5.03	6.62						

	Inflation 5% Nov 12	Nov 11	Yr. ago	Inflation 10% Nov 12	Nov 11	Yr. ago
Up to 5 yrs	2.28	2.29	3.23	1.62	1.61	2.55
Over 5 yrs	2.26	2.28	3.13	2.08	2.09	2.94

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Yr ago	High*	Low*
Govt. Secs. (UK)	111.29	111.14	111.45	110.85	110.50	98.85	112.59	93.31
Fixed Interest	151.10	150.38	150.17	149.28	148.87	131.02	151.77	115.32

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Dollar climbs on rising Iraq tension

MARKETS REPORT

By Alan Beattie

The dollar pushed higher against most other currencies yesterday after rising tensions over Iraq and disappointment with the Japanese fiscal package made it look a safe bet.

Many market participants sought to explain the dollar's rise against the yen by the chilly reception given to the announcement of the stimulus plan by the Japanese government. The US currency closed in London nearly two per cent higher against the yen at Y123.9.

But the dollar also appreciated against sterling and the D-Mark. It finished at DM1.698 yesterday compared with DM1.678 on Wednesday, and at $1.653 against sterling, up from Wednesday's close of $1.661.

■ The yen's depreciation against the dollar, along with falls in the Japanese stock market, were seen by some as unduly harsh judgment on the details of the Japanese fiscal stimulus package released yesterday.

The package promised new public works expenditure of Y10,000bn yen and cuts in personal and corporate taxation totalling several thousand billion more yen. But the market had hoped that there would be cuts in the controversial sales tax, a rise in which from 3 to 5 per cent in April 1997 was widely blamed for smothering a nascent economic recovery.

Some analysts at Japanese banks were quick to point out that the market's reaction – that they had seen it all before – was churlish.

"The market greeted the package with its usual scepticism," said Paul Chertkow, global currency research head at the Bank of Tokyo-Mitsubishi. "But in fact all the elements for economic restructuring are now in place."

Mr Chertkow said that the package amounted to 3.4 per cent of GDP, and together with the supplementary budget agreed in April and the public money earmarked for banking rescue this meant a fiscal stimulus of nearly 20 per cent of GDP announced this year. "Add to this the most accommodative monetary stance taken by any central bank ever," he said, "and if this package does not work then economics will have to be reinvented."

The sales tax issue could be resolved next week, Mr Chertkow said, after talks between the ruling LDP and its putative Liberal and dissident conservative coalition partners.

Gerard Lyons of DKB International thought that the market's poor reaction to the announcement was evidence that Japanese policymakers were poor at managing expectations. "Talk of a bigger package raised expectations," he said, "and so the reality came as a disappointment."

■ *After* Wednesday's excitement of the Inflation Report, sterling yesterday consolidated its strength in quieter currency markets yesterday.

Having had time to digest the detail of the report, the market's general conclusion seem to concur with its original reaction that the comforting report was mildly positive for sterling.

Remarks by Eddie George, governor of the Bank of England, that "happily" sterling had fallen recently, appeared to have no effect on the pound. And expectations of future interest rates were almost unchanged on the day, short sterling future prices barely changing in thin trading.

Though it fell against the dollar, sterling closed in London at DM2.798 against the D-Mark and Y204.8 against the yen, strongly up from Wednesday's close of DM2.788 and Y202.3.

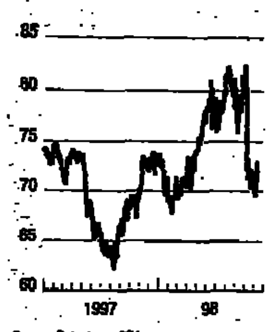
■ The vexed question of how sterling will be quoted against the euro took another twist yesterday. EBS, the electronic broking company, announced that client pressure would compel it to quote the rate both ways.

The British Bankers' Association has said recently that almost all major market participants have agreed to quote the currency pair with the euro as the first, or "certain", currency, at least in the interbank market.

But Peter Bartko, EBS Chairman, said yesterday that "the more we consult, the less consensus there appears to be. We have no alternative but to quote both ways until a predominant convention emerges."

D-Mark

Against the yen (¥ per DM)



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Nov 12	—Latest—	—Prev. close—
£ spot	1.6600	1.6625
1 mth	1.6577	1.6600
3 mth	1.6537	1.6560
1 yr	1.6378	1.6415

■ **OTHER CURRENCIES**

Nov 12	£	$
Czech Rp	49.5301 - 49.6235	29.9710 - 30.0130
Hungary	361.391 - 362.062	218.680 - 218.980
Iran	4960.20 - 4957.80	3000.00 - 3000.00
Kuwait	0.5009 - 0.5016	0.3031 - 0.3034
Peru	5.1065 - 5.1140	3.0900 - 3.0930
Poland	5.7139 - 5.7299	3.4575 - 3.4655
Russia	29.4163 - 30.4236	17.8000 - 18.4000
U.A.E.	6.0697 - 6.0733	3.6728 - 3.6732

WORLD INTEREST RATES

MONEY RATES

Nov 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	–
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	–	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	4	[illegible]	[illegible]	[illegible]	[illegible]	–	–	3.69
Italy	[illegible]	[illegible]	4	[illegible]	[illegible]	6.50	5.00	5.12
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	[illegible]	[illegible]	[illegible]	[illegible]	5	–	5.00	–
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	4.97	4.89	4.81	4.63	–	–	–
ECU Linked Ds	–	4	[illegible]	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.425	96.425	-	96.430	96.425	2,919	63,174
Mar	96.590	96.580	-0.015	96.600	96.585	2,609	44,513

POUND SPOT FORWARD AGAINST THE POUND

Nov 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6854	+0.0706	767 - 941	19.7386	19.5976	19.6288	3.5	19.5227	3.3	19.1538	2.7	103.6
Belgium	(BFr)	57.7228	+0.212	757 - 698	57.8830	57.4880	57.5565	3.5	57.2479	3.3	56.1615	2.7	103.6
Denmark	(DKr)	10.6371	+0.0376	328 - 413	10.6667	10.5931	10.6156	2.4	10.5705	2.5	10.4124	2.1	107.5
Finland	(FM)	8.5080	+0.03	018 - 142	8.5310	8.4740	8.4844	3.3	8.4387	3.3	8.2724	2.8	82.9
France	(FFr)	9.3826	+0.0351	795 - 857	9.4065	9.3366	9.3959	3.4	9.3058	3.3	9.1285	2.7	107.1

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.9089	+0.1013	065 - 113	11.9378	11.8022	11.8914	1.8	11.8654	1.8	11.7389	1.4	103.5
Belgium	(BFr)	34.9200	+0.3	000 - 400	34.9900	34.6300	34.8685	1.8	34.7645	1.8	34.42	1.4	103.7
Denmark	(DKr)	6.4350	+0.0544	340 - 360	6.4534	6.3750	6.431	0.7	6.418	1.0	6.3815	0.8	106.7
Finland	(FM)	5.1470	+0.0435	445 - 495	5.1599	5.1053	5.14	1.8	5.1246	1.7	5.07	1.5	82.2
France	(FFr)	5.6761	+0.0491	756 - 766	5.6904	5.6285	5.6679	1.7	5.6509	1.8	5.5946	1.4	106.9

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 12

UK INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

BASE LENDING RATES

TEA BATTLE FOR CONTROL WITH KTDA

Kenyan plans thwarted by smallholders

By Mark Turner in Nairobi

Plans to entrench Kenya as the world's premier tea exporter well into the next century are running into hurdles as smallholders battle for control with the Kenya Tea Development Authority (KTDA).

The KTDA, which monopolises the small farm sector, says that new plantings and improved husbandry will raise smallholder production to 1bn kg of unprocessed tea by 2010, almost a third more than current levels.

In the medium term, it is seeking finance from the European Investment Bank and the Commonwealth Development Authority to build eight new processing factories, which would boost small-sector capacity to almost 200m kg of processed tea.

"The feasibility studies are ready, and even the designs," said Eustace Karanja, KTDA's managing director. "With these eight new factories, we will be able to process 750m kg of green leaves."

Added to large estate production, tea brokers say it is quite feasible that Kenya could be producing more than 300m kg of processed tea annually within five years, of which 90 per cent would be exported.

Even last year, when production was hit by a serious drought, Kenya produced 221m kg and accounted for 17 per cent of world exports. Following the El Niño freak weather system, 1998 production is set to reach 285m kg, and exports are expected to overtake those of Sri Lanka, China and India.

However, after half a decade of criticism by small farmers about the KTDA's monopoly over development, processing and marketing – with all its potential for abuse – its days as a one-stop-shop are numbered.

A paper being prepared by the Treasury appears likely to give local factory boards far more say over day-to-day management, and the power to bypass the KTDA if they choose.

Without the traditional guarantees of a single authority, foreign investors may prove reluctant to stump up the capital needed for further expansion. "Negotiations are proving more difficult now, as lenders want farmers to participate," said Mr Karanja.

Kiraitu Murungi, a leading parliamentary exponent of curbing the KTDA, admits there is a contradiction in the smallholders' ambitions.

"We want the KTDA to act as an agent for setting up these new factories, and to give guarantees to investors. That is a good role," he said. "But at the same time we want individual factories to have far more say in the way they are managed. That is a confusion, and we are discussing how to resolve it."

One solution could be to grant the KTDA control for a further transitional period, he said, but with a clear timetable for devolution of its powers.

As they await the outcome of the debate over the KTDA, potential financiers are biding their time.

"We are awaiting anxiously the privatisation of the KTDA," said Robert Ahonka-Lindsay from the CDC in Nairobi. "We need to know how far Kenya will go down the privatisation track before coming to a conclusion."

Modest increase seen in gold price

MARKETS REPORT

By Kenneth Gooding and Caroline Fossey

Some traders suggested growing tensions over Iraq pushed the gold price higher yesterday. Most of the gain came after the New York market opened. At the close in London gold was $295.35 a troy ounce, up $2.10 cents from Wednesday's close.

This was a modest percentage rise – less than 1 per cent – and dealers suggested the rally was unlikely to go much further. "We have not seen a significant rally in the gold price on rising military tensions since the end of the cold war," said GNI Research in its daily report.

Hanspeter Hausheer, analyst at SBC Warburg Dillon Read, said if the US and its allies attacked Iraq the price might move up again.

"I don't think there would be a big reaction, perhaps two or three dollars. Only if there was a risk of disruption to world oil production would there be a bigger reaction," he added.

Oil rose as tension increased between the US and Iraq over Saddam Hussein's decision to halt UN arms inspections. The December benchmark contract for Brent blend was $12.43 a barrel in late trading on London's International Petroleum Exchange, up 32 cents a barrel on Wednesday's close.

Cocoa fell to its lowest ever on the London International Financial Futures and Options Exchange yesterday. The December contract dropped £6 to £971 a tonne before closing at £973.

Coffee slipped in London after New York turned weaker. November closed down $90 at $2,035 a tonne on Liffe.

Caribbean backs bananas despite open market threat

Heavily dependent economies have been told to diversify but growers see efficiency as the way forward, says **Canute James**

On the mist-shrouded slopes of the Cul-de-Sac valley in north-western St Lucia, there is little doubt about the direction of the economy of the eastern Caribbean island and its neighbours. "Some people in Europe and the United States are saying we should grow fewer bananas, and more of other things," says Edward C, who wants anonymity because he fears "the vicious politics" of bananas.

"But no one can tell us what these other crops should be. Diversify to what? I know how to grow bananas, so do all my fellow farmers here. We do not know how to grow potatoes and tomatoes. And if we tried, who would buy them?"

With the US threatening to impose 100 per cent duties on a range of European products if Europe does not amend its banana import regime by January 1 next year, producers in the Caribbean, particularly those in the Windward Islands – whose economies are heavily dependent on trade in the fruit – are being told they should diversify.

Less dependence on bananas will cushion the dislocation of the eventual loss of a preferential market in Europe which is the lifeline for exporters.

However, Caribbean producers say they are diversifying not by reducing production, but by strengthening other sectors of their economies. They will not produce fewer bananas; they plan to produce more, but to do so more efficiently.

"The agriculture sector should diversify away from bananas, but not at the expense of reduced banana production," says Kenny Anthony, prime minister of St Lucia, the Caribbean's biggest producer.

"We are expanding production of other exports, such as cocoa and horticulture. There is no intention of replacing bananas with anything else. There is no word in Caribbean agriculture which has been more abused than diversification."

The island's banana sector is threatened by an open market because production costs are higher than those of the main exporters in Latin America. Caribbean producers incur higher costs because of difficult conditions and climatic hazards, says the Caribbean Banana Exporters Association.

Producers in the islands cannot compete directly on price with "dollar bananas" grown on the large, flat plantations of Latin America, the association says. "In addition, unlike workers on some Latin American plantations, Caribbean workers are paid decent wages."

It also says it is more expensive to ship bananas from the Caribbean "because of the number of port calls necessary and the absence of economies of scale".

Caribbean producers account for 3 per cent of world banana exports and 20 per cent of European Union imports, says the association. Dominica, Grenada, St Lucia and St Vincent depend on banana exports for about 60 per cent of their export earnings.

"We are not inefficient producers," says Bernard Cornibert, chief executive of Windward Islands Banana Development Company. "We are efficient, given the problems of hilly terrain, small farms, poor soil and sometimes bad weather, such as hurricanes."

Windward Islands banana production has fallen by a half since 1991, due mainly to drought and poor prices, which discouraged farmers. The islands have an EU quota of 180,000 tonnes a year but struggled to export 84,390 tonnes last year. Production of 200,000 tonnes will make the industry viable, says Mr Cornibert. "We hope to do this, not by expanding acreage, but by increasing productivity. We have been at this for 50 years. We are still struggling to do this competitively, yet others are suggesting we do something else," he says.

Despite higher costs, farmers want to stick to what they know

The Windward Islands' banana industry is getting $55.5m from the EU to help improve productivity and quality. This will help restructure the industry. Drainage and irrigation will be improved, and loans made to farmers for equipment.

There is concern, however, that continuing US attacks on EU import arrangements could destroy their market. Following the WTO's ruling that the EU regime was unfair, EU ministers agreed in June to eliminate a licensing system for imports. But the EU maintained an import quota on Latin American bananas and a duty-free access quota that benefits Caribbean and other traditional exporters.

"Although it has been found guilty of violating trading rules, Europe is putting forth another regime that as far as we can tell is going to be inconsistent with world trading rules again," says John Hamilton, principal deputy assistant secretary in the Bureau of Western Hemisphere Affairs in the US Department of State.

This does not go down well in Cul-de-Sac. "We have been told that the Americans want to take our market and give it to their big companies in Latin America," says Edward C. "They are pressuring the Europeans who, we believe, will give in soon. Why do they want our children to starve?"

Volatility forecast for metals markets

By Kenneth Gooding, Mining Correspondent

Demand and prices for metals will be volatile towards the end of next year as consumers attempt to head off millennium bomb problems, according to Rudolf Wolff, the commodity trading subsidiary of Noranda, Canada's biggest natural resources group.

Industry worldwide will build stocks before 2000, "switching from just-in-time to just-in-case inventory", Martin Squires, a Wolff analyst suggests.

The millennium bomb refers to problems that are already beginning to arise because older computers are unable to recognise the date change from 1999 to 2000.

Mr Squires says a mining company not completely certain that its mine – or power supplier – is year 2000 compliant would be unlikely to allow employees into potentially dangerous areas.

He suggests the problem can be expected "to exacerbate market volatility during the closing stages of the millennium. After January 2000 there is a high probability that the fall-out from this phenomenon will create a global recession".

Wolff is forecasting that metal markets next year will be "depressed and volatile".

For example, it suggests copper for delivery in three months on the London Metal Exchange will average $1,524 a tonne in 1999, nearly 11 per cent below the $1,709 average for the first nine months of this year. Three-month aluminium is forecast to average $1,275 a tonne next year, a 9 per cent fall from the $1,407 average so far.

Wolff also forecasts an average 1999 zinc price of $960 a tonne (compared with $1,071); a lead price of $460 ($546); a nickel price of $4,100 ($4,934); and a tin price of $5,000 ($5,380).

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1313-4	1328-9
Previous	1287.5-88.5	1308-09
High/low		1334/1309
AM Official	1303-3.5	1320-1
Kerb close		1326-7
Open int.	343,231	
Total daily turnover	120,363	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1099-105	1131-2
Previous	1083-88	1113-18
High/low		1138/1311
AM Official	1096-6.5	1126-7
Kerb close		1132-5
Open int.	7,224	
Total daily turnover	2,102	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	487.5-8.5	498-8.5
Previous	489.5-90.5	500-0.5
High/low		499/495
AM Official	484.5-5.0	495-6
Kerb close		494.5-5.5
Open int.	40,665	
Total daily turnover	8,858	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4185-95	4255-60
Previous	4110-200	4180-85
High/low		4270/4150
AM Official	4175-85	5245-50
Kerb close		4260-65
Open int.	65,503	
Total daily turnover	17,852	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5485-95	5445-50
Previous	5490-500	5445-50
High/low		5475/5440
AM Official	5485-90	5435-40
Kerb close		5440-45
Open int.	18,773	
Total daily turnover	10,504	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	956-7	973.5-4.5
Previous	953.5-4.5	972-2.5
High/low		976/968
AM Official	955-5.5	973-3.5
Kerb close		972.5-3.0
Open int.	87,647	
Total daily turnover	12,752	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1579-80	1606-6.5
Previous	1570-71	1598-99
High/low		1610/1597
AM Official	1575-5.5	1603-3.5
Kerb close		1606-9
Open int.	170,484	
Total daily turnover	31,799	

■ LME AM Official £/$ rate: 1.6682

LME Closing £/$ rate: 1.6580

Spot: 1.6579 3 mths: 1.6520 6 mths: 1.6457 9 mths: 1.6409

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	71.75	+0.15	71.85	71.75	139	843
Dec	72.00	+0.15	72.40	71.70	4,450	30,106
Jan	72.35	+0.15	72.65	72.40	21	2,415
Feb	72.70	+0.20	72.90	72.60	12	1,330
Mar	73.05	+0.20	73.35	72.85	668	10,392
Apr	73.30	+0.20	73.60	73.60	1	1,240
Total					5,514	64,024

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	296.00-296.40		
Opening	293.20-293.50		
Morning fix	293.00	176.549	408.831
Afternoon fix	294.45	177.529	409.286
Day's High	296.10-296.40		
Day's Low	292.90-293.30		
Previous close	293.00-293.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.64	6 months	3.88
2 months	4.34	12 months	3.49
3 months	4.29		

Silver Fix	p/troy oz.	US cts equiv.
Spot	498.50	300.81

Silver Lending Rates

1 month	4.10	6 months	2.50
2 months	3.55	12 months	2.30
3 months	3.35		

Gold Coins	$ price	£ equiv.
Krugerrand	296-300	179-181
New Sovereign	69-73	41-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	296.9	+3.8	293.5	293.5	–	3
Dec	297.5	+3.8	298.2	293.6	18,286	64,133
Feb	299.7	+3.8	300.4	296.0	1,568	25,163
Apr	301.6	+3.8	302.0	298.8	220	16,227
Jun	303.2	+3.8	304.0	299.9	229	14,231
Aug	304.8	+3.8	–	–	21	5,442
Total					20,488	168,547

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	350.8	+11.0	351.7	340.8	1,958	14,728
Apr	352.0	+10.9	353.0	345.5	10	514
Jul	353.5	+11.2	–	–	3	149
Oct	354.8	+11.2	344.5	344.5	2	992
Total					1,975	16,383

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	278.25	+4.75	279.00	276.00	66	1,650
Mar	277.75	+4.75	277.50	276.00	15	1,154
Jun	275.75	+4.75	–	–	2	5
Total					81	2,934

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	512.1	+13.3	–	–	–	–
Dec	513.3	+13.3	515.0	498.0	4,925	40,507
Jan	515.5	+13.3	–	–	–	88
Mar	518.5	+13.3	520.0	503.5	776	18,232
May	520.7	+13.2	520.0	518.0	408	4,629
Jul	522.8	+12.8	525.0	508.0	1,220	4,004
Total					9,989	76,594

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	13.86	+0.31	13.94	13.52	53,833	95,204
Jan	14.11	+0.30	14.18	13.78	30,616	93,158
Feb	14.34	+0.32	14.37	14.02	5,126	41,739
Mar	14.53	+0.31	14.56	14.28	1,618	23,562
Apr	14.69	+0.29	14.69	14.48	1,591	14,822
May	14.74	–	14.90	14.74	1,851	14,063
Total					102,968	484,092

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	12.41	+0.30	12.51	12.24	18,992	28,972
Jan	12.73	+0.26	12.80	12.55	21,901	85,443
Feb	13.03	+0.28	13.05	12.83	1,833	29,370
Mar	13.11	+0.14	13.25	13.09	1,843	17,845
Apr	13.25	+0.09	13.27	13.25	31	12,934
May	13.44	+0.10	13.46	13.44	350	7,962
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	38.70	+0.78	39.10	37.80	18,149	49,931
Jan	39.95	+0.77	40.25	39.10	7,802	42,841
Feb	40.85	+0.72	41.10	40.45	3,440	28,668
Mar	41.30	+0.77	41.35	41.00	1,447	18,428
Apr	41.40	+0.77	41.40	41.10	241	8,995
May	41.50	+0.67	41.60	41.35	39	7,981
Total					39,299	183,417

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	108.75	–	112.00	108.75	6,893	7,482
Dec	115.00	+2.50	115.75	112.75	14,128	54,469
Jan	118.75	+2.50	119.25	117.25	4,328	27,263
Feb	121.50	+2.25	121.50	120.00	1,842	17,045
Mar	123.50	+2.25	123.50	122.50	140	12,156
Apr	125.50	+2.50	125.50	124.00	225	6,424
Total					27,090	162,298

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	14.900	-0.150	15.000	14.850	415	3,240
Jan	17.850	-0.200	18.000	17.850	240	4,060
Total					1,180	25,135

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.410	-0.022	2.459	2.380	26,652	45,811
Jan	2.540	-0.017	2.570	2.510	8,775	36,895
Feb	2.465	-0.014	2.485	2.445	4,908	23,089
Mar	2.360	-0.002	2.365	2.340	2,135	20,389
Apr	2.245	+0.005	2.255	2.230	870	13,557
May	2.210	+0.018	2.210	2.185	401	10,780
Total					48,127	237,510

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	41.50	+0.96	41.70	40.40	16,959	32,411
Jan	42.30	+0.93	42.30	41.30	7,872	21,906
Feb	43.20	+0.95	43.20	42.25	1,209	8,054
Mar	44.00	+0.76	44.00	43.60	836	5,196
Apr	46.90	+0.56	46.90	46.80	263	7,292
May	47.75	+0.71	47.75	47.75	170	5,702
Total					27,693	89,539

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.00	-0.50	–	–	–	33
Jan	80.00	-0.50	80.25	79.75	73	2,638
Mar	82.00	-0.50	82.25	81.75	192	3,205
May	84.00	-0.50	84.25	83.75	104	2,307
Jul	86.00	-0.50	–	–	–	220
Total					432	8,214

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	292.25	-0.25	295.50	290.00	12,880	57,815
Mar	308.75	-1.00	312.00	306.50	7,082	46,073
May	317.75	–	320.25	315.75	461	7,245
Jul	326.75	–	329.50	324.50	1,834	18,062
Sep	334.75	+0.25	337.00	333.50	24	787
Dec	345.75	-0.25	348.50	345.00	11	844
Total					22,812	133,691

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	224.50	-0.75	225.50	223.25	47,434	139,262
Mar	235.00	-1.00	236.00	234.00	20,250	107,335
May	241.50	-1.25	243.00	240.75	2,920	38,761
Jul	246.25	-1.50	247.50	245.25	3,493	44,465
Sep	251.50	-1.00	253.00	251.00	229	6,979
Dec	257.50	-1.75	258.75	257.00	1,738	20,097
Total					76,268	396,679

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.25	-	-	-	-	-
Jan	79.85	-	-	-	-	667
Mar	82.00	-	-	-	-	151
May	83.00	-	-	-	-	33
Sep	81.75	-	-	-	-	-
Total					-	1,061

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	580.75	+1.00	581.00	578.00	4,245	8,260
Jan	588.00	+1.50	588.50	584.50	34,195	67,032
Mar	596.50	+1.25	597.50	593.50	6,067	28,606
May	604.25	+2.00	605.00	600.50	1,513	12,560
Jul	611.75	+2.25	612.00	608.00	2,613	17,417
Aug	612.00	+3.00	613.00	609.00	92	1,111
Total					51,885	143,378

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	24.52	-0.21	24.82	24.52	6,004	42,051
Jan	24.61	-0.15	24.86	24.58	3,303	19,787
Mar	24.68	-0.11	24.85	24.64	2,085	20,397
May	24.73	-0.03	24.85	24.85	1,113	10,482
Jul	24.77	-0.03	24.87	24.68	691	12,808
Aug	24.75	-0.03	24.85	24.75	43	1,091
Total					13,287	111,674

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	152.9	+2.1	153.0	150.0	17,807	57,888
Jan	154.8	+1.9	155.0	152.2	5,955	24,589
Mar	158.4	+1.7	159.0	156.4	2,189	18,546
May	162.0	+1.8	162.5	160.0	2,303	10,398
Jul	165.3	+1.6	165.5	163.5	2,770	14,838
Aug	166.5	+1.5	166.5	165.5	142	2,730
Total					32,395	135,859

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	190.0	-	-	-	-	-
Apr	273.0	-15.0	285.0	273.0	211	2,241
May	283.0	-15.0	-	-	-	-
Jun	293.0	-15.0	-	-	-	-
Nov	85.0	-	-	-	-	-
Total					211	2,341

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	990	+5	990	985	40	344
Dec	1010	+10	1010	1005	8	236
Jan	1005	+10	-	-	-	554
Apr	1025	-	1025	1025	1	555
Jul	905	-	905	905	2	276
Total					52	2,288

	Close	Prev
BFI	985	982

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	428.25	-4.00	433.25	428.00	83	388
Mar	452.00	-3.50	458.75	452.00	92	219
Total					175	625

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

Merino wool prices rose in primary markets, continuing a recovery that is not unusual seasonally in Australia. The eastern market indicator rose by 24 cents to 518 cents a kg. With Christmas ahead, the question is whether a basis is being established for an eventual long-term market upturn, or whether it is a blip beyond which stability is the best to hope for in 1999. Crossbred wool markets have not so far mirrored the merino upturn. The New Zealand market indicator was up by only 1 cent to 403 NZ cents a kg. Clearances were good for merinos and crossbreds, including British wool sold in Bradford.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	974	-3	979	971	2,184	41,829
Mar	1008	-1	1014	1005	1,951	38,555
May	1028	-1	1029	1025	602	17,107
Jul	1045	–	1049	1043	127	10,390
Sep	1063	-1	1067	1064	109	27,968
Dec	1084	-2	1087	1084	140	11,236
Total					5,163	157,393

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1464	+10	1470	1445	6,423	12,909
Mar	1509	+12	1512	1494	7,220	38,472
May	1535	+9	1536	1525	1,010	9,208
Jul	1561	+8	1560	1557	157	2,708
Sep	1586	+8	1590	1587	350	3,389
Dec	1616	+8	1617	1617	1	5,299
Total					15,168	75,669

■ COCOA (ICCO) (SDR's/tonne)

Nov 11	Price	Prev. day
Daily	1136.49	1146.38

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2040	-85	2115	2025	394	5,345
Jan	1673	-52	1725	1665	4,529	24,950
Mar	1630	-40	1670	1624	1,322	8,710
May	1610	-36	1647	1605	760	3,565
Jul	1595	-36	-	-	-	991
Sep	1580	-36	-	-	-	276
Total					7,085	44,077

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	113.35	-2.25	115.25	112.80	3,034	9,818
Mar	110.85	-1.45	111.90	110.35	3,100	13,549
May	110.90	-1.35	111.70	110.50	319	5,131
Jul	111.70	-1.40	112.50	112.00	28	2,100
Sep	112.70	-1.25	114.75	114.65	46	1,470
Dec	113.75	-1.35	113.60	113.60	38	697
Total					6,519	32,814

■ COFFEE (ICO) (US cents/pound)

Nov 11		Prev. day
Comp. daily	99.07	98.97
15 day average	98.14	97.83

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	243.2	+0.3	248.5	241.3	4,339	5,720
Mar	244.7	+0.9	246.8	241.5	3,851	20,160
May	245.1	+1.1	246.6	242.0	884	4,252
Aug	245.3	+1.0	246.5	243.3	637	3,155
Oct	239.0	+0.4	240.7	236.6	470	3,193
Dec	240.7	+0.3	-	-	-	194
Total					10,181	37,212

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	8.38	-	8.39	8.24	36,767	82,677
May	8.45	-	8.47	8.33	7,133	18,150
Jul	8.46	+0.04	8.47	8.33	4,865	15,766
Oct	8.59	+0.02	8.59	8.45	1,515	11,875
Mar	8.80	+0.03	8.81	8.67	681	7,554
May	8.90	+0.03	8.90	8.77	210	883
Total					51,198	137,808

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.73	+0.30	67.80	66.80	7,518	31,079
Mar	67.14	+0.31	67.20	65.80	5,062	27,770
May	67.34	-	67.70	68.50	828	14,489
Jul	67.90	-	68.30	67.10	616	10,477
Oct	68.05	-	67.50	67.30	5	909
Total					14,213	85,579

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	119.70	+0.50	119.90	118.60	800	13,106
Mar	121.70	+0.55	121.90	121.00	197	5,833
May	123.35	+0.60	123.35	123.35	14	1,392
Jul	124.85	+0.60	-	-	13	685
Sep	125.65	+0.90	125.00	125.00	11	78
Nov	126.45	+0.20	124.75	124.75	1	233
Total					1,013	21,466

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 12	Nov 11	month ago	year ago
1486.3	1483.3	1459.6	1812.5

■ CRB Futures (Base: 1967 = 100)

Nov 11	Nov 10	month ago	year ago
204.78	204.63	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 11	Nov 10	month ago	year ago
148.75	148.07	149.78	206.00

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,200	to	524,125
Aluminium alloy	+40	to	88,840
Copper	+850	to	473,425
Lead	-75	to	109,150
Nickel	+186	to	60,562
Zinc	-1,200	to	339,775
Tin	-30	to	6,925

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	64.125	+0.400	64.175	63.300	6,676	38,791
Feb	65.375	+0.125	65.400	64.650	4,852	33,325
Apr	66.575	+0.050	66.675	66.050	1,015	20,005
Jun	64.475	-0.025	64.500	63.975	1,120	11,073
Aug	64.200	-0.150	64.300	64.000	523	6,547
Oct	66.775	+0.100	66.800	66.500	64	972
Total					14,273	110,801

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	34.300	+0.150	34.450	33.600	5,209	17,073
Feb	40.950	-0.225	41.300	40.700	3,313	12,334
Apr	44.225	+0.100	44.450	44.025	651	4,869
Jun	53.825	+0.325	53.900	53.250	395	3,344
Jul	54.800	+0.550	54.900	54.250	158	1,654
Aug	54.950	+0.475	54.950	54.400	65	1,679
Total					9,828	41,827

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	47.250	+0.325	47.500	46.450	1,038	3,804
Mar	46.775	+0.775	47.000	46.400	44	424
May	48.025	+0.225	48.500	48.100	13	253
Jul	47.600	-0.425	48.450	48.450	11	51
Total					1,120	4,582

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1250	74	2	102	19
1300	35	13	70	36
1350	12	39	45	60
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1500	95	5	143	31
1600	28	37	84	70
1700	3	113	44	128
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1650	66	73	43	93
1700	42	54	69	124
1750	25	40	102	160
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	7	49	8	16
1000	1	34	27	26
1025	1	25	51	42
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1200	-	-	34	39
1250	82	-	-	-
1300	50	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$12.05-2.10x	+0.145
Brent Blend (dated)	$11.47-1.52	+0.065
Brent Blend (Dec)	$12.37-2.42	+0.115
W.T.I.	$13.79-3.81x	+0.10
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$141-143	
Gas Oil	$113-115	+2
Heavy Fuel Oil	$57-59	
Naphtha	$129-131	
Jet fuel	$131-132	+6
Diesel	$122-124	+4.5
■ NATURAL GAS (Pence/therm)		
Bacton (Dec)	14.88-14.93	-0.14

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)‡	$296.15	+2.90
Silver (per troy oz)‡	498.50c	-0.25
Platinum (per troy oz.)	$343.50	+5.00
Palladium (per troy oz.)	$278.75	+3.75
Copper	77.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.39r	
Tin (New York)	259.5	-1.00
Cattle (live weight)	83.32p	+4.18*
Sheep (live weight)	62.91p	-0.43*
Pigs (live weight)†	53.53p	+3.81*
Lon. day sugar (raw)	$205.70	+7.90
Lon. day sugar (wte)	$248.50	+18.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	49.50p	
Rubber (Jan)♥	50.00p	
Rubber (KL RSS No1)	274.00m	-0.5
Coconut Oil (Phil)§	750.0y	
Palm Oil (Malay.)§	660.0	
Copra (Phil)§	$460.0y	
Soyabeans (US)	158.0y	
Cotton Outlook'A' Index	56.60	-0.90
Wooltops (64s Super)	296p	

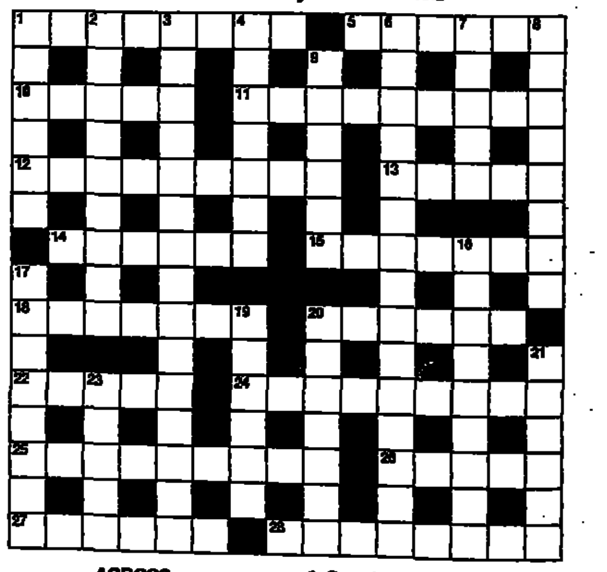
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Dec. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,062 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,838 Set by ARMONIE



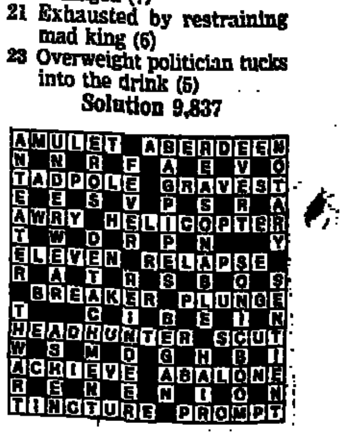
ACROSS

1 The unstable nature of Eve ruins Creation (8)
5 Make alterations only after promotion (6)
10 A vessel the banks rejected (5)
11 Help finish a hotel in the country (4,1,4)
12 The games his cattle disrupted (9)
13 Rest after good harvest (5)
14 Cheers for one in the motor-racing team (6)
15 Writes down those against collecting rubbish (7)
18 Draw Ray demonstrating structural connector (3,4)
20 Hunter finding game with a stick (6)
22 Foreigner starts to irritate reporter after question's ignored (5)
24 Member returns to cover schedules in plant (9)
25 Seasoning on a bit of Italian sausage (9)
26 Scavenger having a bit of a laugh about money (5)
27 A lemur gives an expression of agreement (3-3)
28 Chinese-style food joints to which you said you returned (4,4)

DOWN

1 Nutcase heartlessly engineered overthrow (6)
2 Redhead wearing smooth stockings is seen on the railway (4,5)
3 Say to a Chinaman, "Perhaps this is a mail service" (7,8)
4 Miss Lane interrupts drunkard, playing all on his own (7)
6 Checker on board liner shows drawing ability (15)
7 America has time for convention (5)
8 Enid sits relaxed in a good state of order (8)
9 The harmony Bob found in wedlock (6)
16 Initially, the painter depicts a bottom drawer (9)
17 Patio he and I constructed in Africa (8)
19 A good shot in Montana provides grub (6)
20 A primitive relic the lion damaged (7)
21 Exhausted by restraining mad king (6)
23 Overweight politician tucks into the drink (5)

Solution 9,837



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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's

Newton Fund Mgrs - Contd.

Perpetual Fund Management (Jersey) Ltd

PO Box 459, Sande Street, St Helier, Jersey 01534 607660

Perpetual Offshore Income Accumulating Fund Ltd

Prudential Fund Managers (Jersey) Ltd

PO Box 103, St Helier, Jersey 01534 606000

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

JERSEY

(REGULATED)(**)

LUXEMBOURG

(FSA RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424949335

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

Mercury Asset Management

Templeton Global Strategy Funds (u)

LUXEMBOURG

(REGULATED)(**)

ACM Offshore Funds

Cox & Kings Overseas Fund

Credit Agricole Indosuez

Credit Suisse Asset Mgmt Funds

MFS American Funds

Merrill Lynch Asset Management

Templeton Russian & East European Debt Fd

Union Financial Services SA Lux

Vesper Consell

OFFSHORE

INSURANCES

Aberdeen International Ltd

[illegible]

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OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	♣	516xd	-2	646	325	4,667	4.9	13.6
Bulmer (HP)		355	—	427½	291½	-	5.3	15.3
Burn Stewart		19	+6	49½	7	984	-	-
Diageo	♣	621xd	+12	795	449½	6,343	3.1	19.1
Glenmorangie A		697½	—	975	685	-	2.5	16.3
B		827½	—	1050	827½	-	1.1	38.6
Highland	♣	250	-1	325	225	72	4.8	11.1
5¾pc Cv Sb Bd		94¼	+1	99½	88	-	6.3	-
Kirin Y		637	-3½	673¼	416¼	-	0.9	62.9
Matthew Clark	♣♦	239½	—	242	115	311	6.8	8.2
Merrydown		24	-½	74½	23½	-	-	ф
Seagram C$		£20¾	-¼	£28¼	£14½	-	1.3	-

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl		£11[illegible]	[illegible]	£16[illegible]	£8[illegible]	-	3.4	13.5
ANZ A$		385	-5	458¼	233¼	-	5.3	ф
Abbey National	†	1167	+23	1345	830	2,632	3.5	17.2
Alliance & Leicester	♣†	868	—	1032	585	380	3.2	16.4
Allied Irish E	♣†	871½	-1	1008½	507½	-	2.2	24.3
Anglo Irish E	♣†	157½	—	180	94½	481	2.5	21.8
Asahi Y		215½	-3	389¼	140	-	1.4	-
Banco Bilbao Viz Pta	s	[illegible]	[illegible]	[illegible]	[illegible]	-	1.7	28.8
Banco Santander Pta	†	[illegible]	[illegible]	[illegible]	[illegible]	-	2.9	18.3
Bank Ireland E	♣†	1061½	-13½	1332½	784	-	2.6	17.4
Bank Scotland	♣†	590xd	+2	813	411	3,968	2.2	14.8
9¼pc Ird Pf		169¼xd	+1	174	134¼	-	7.0	-
9¼pc Ird Pf		[illegible]	[illegible]	169¼	141½	-	7.0	-

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	17¼	—	37½	13½	—	28.3	34.4
Warrants		1		3	0½	—	—	—
Atlantic Japan Lowth Fd		205½	-1½	282	158	—	255.0	19.3
Warrants		5½		41	1½	—	—	—
Baring Emrg Euro	♣	76½	-¼	118	55	—	97.7	21.8
Warrants		42½		67½	29¼	—	—	—
Brazilian IT	♣N	37	—	91½	5	2.2	44.3	16.7
Warrants		9½	+¼	33½	7	—	—	—
Central Euro Grth	♣	38	-1	68½	26¼	—	49.8	23.7
Warrants		8½		12	0½	—	—	—
East German		11¼		13	5½	—	21.4	47.4
Egypt Trust $		685	+3	926½	507½	1.4	—	—
F&C Latin American $♣		74	-½	132	48	—	102.8	28.0
Warrants		31½	-½	93	16½	—	—	—
Fst Russian Frontiers $♣		182½	—	1245	160	—	450.7	59.5
Warrants		55	—	760	35	—	—	—
Warrants B		36	—	675	25	—	—	—
Five Arrows Chile $	♣	102½xd	-1	182½	86¾	1.8	140.5	27.0
Warrants		1		18¼	0½	—	—	—
Govett Asian Smllr	♣	63	-1½	119½	31	1.1	89.6	29.7
Warrants		6¼		9½	0¼	—	—	—
Invesco Sth Asian Cos $♣		28xd	-½	38½	15½	0.6	35.5	21.1
Warrants		3½		7½	1½	—	—	—
Indonesia Fund		128½	+½	280½	120	—	—	—
Warrants		7½		88½	3½	—	—	—
Israel Fund $		41¼	-½	69½	40	—	49.5	16.9
Korea-Europe $	♣	132	—	201½	89	0.8	178.0	25.2
Korea Liberal $		75¼	—	132½	58¼	—	113.1	33.5
Warrants		15	—	17½	5	—	—	—
Lazard Birla India	♣	27½	—	39½	22½	—	—	—
Warrants		3½	—	8	2½	—	—	—
Schroder Asia Fd $♣		210½	—	282½	133½	—	—	—
Warrants $		3¼	—	17½	2¼	—	—	—
Scottish Asian Pfg	♣♦	108xd	-½	148	77	1.8	117.7	7.8

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

AIM - Continued

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LONDON STOCK EXCHANGE

Gulf fears and profit warnings weaken equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Increasing nervousness *about the deteriorating situation* in Iraq and another worrying series of profits warnings brought renewed pressure on London's equity market yesterday.

Although there were few signs of substantial selling, the FTSE 100 index was marked down for much of the day, only lifting when Wall Street delivered an encouraging rally.

"Given the international problems and domestic earnings worries, it is difficult to see the market making much progress from here in the short term, although a rate cut in the US next week, *however unlikely, would no* doubt entice the buyers back into global markets," said one salesman.

Apart from the profit warnings, which were confined to the smaller stocks, much of the news from blue-chip companies delivered yesterday was viewed as positive.

But some dealers began to get agitated at the trend in currency markets, where sterling moved higher again yesterday, especially against the D-Mark, with the Bank of England's trade-weighted index finishing 0.4 up at 100.8.

Footsie kicked off the session under light pressure and gradually declined during the morning to hit a session low of 5,402.4 before picking up to finish the day 27.8 down at 5,449.0.

Early trading was given no help by Wednesday's poor performance from Wall Street, which dipped 40 *points, or by a disappointing* trend on Asian markets where Hong Kong fell 2 per cent and Tokyo 2.5 per cent.

*Unlike the leaders, the sec*ond-line stocks finished only a shade off the day's lowest levels, burdened not only by the threat of earnings downgrades, but also by the currency factor.

The FTSE 250 settled 27.6 down at 4,845.2 after sliding 33.5 at one point. The small-cap stocks were broadly lower, but the FTSE Small-Cap index held up well in the face of all the profit warnings, closing 3.0 down at 2,065.7.

Activity in London never looked like moving out of first gear, as the institutions preferred to stand on the *sidelines, awaiting developments in the Middle East.*

Fears that a US strike against Iraq is increasingly likely unsettled most areas of the market but brought much needed relief to a recently beleaguered oil sector, as crude oil prices moved ahead.

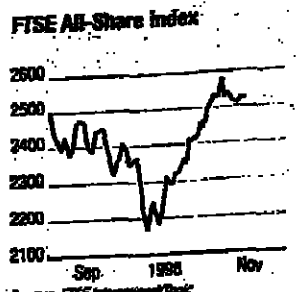
Shell, outpaced recently by BP, was among the best performers in the FTSE 100, while Enterprise and Lasmo were prominent in the FTSE 250 stocks.

Of the stocks reporting yesterday, Ladbroke pleased the market with an upbeat third-quarter trading state*ment, although profit-takers* moved in on BT despite top-of-the-range numbers from the UK's leading telecoms group.

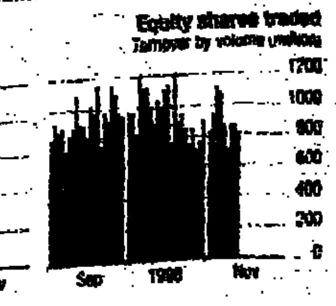
There was evidence that more takeover action might be returning to the market. A hard bid emerged for Heritage Bathrooms, and Wassall was unveiled as the buyer of a large lump of stock in BICC, the cables and heavy electricals group.

Turnover at 6pm reached 814.3m shares, with *non-FTSE 100 stocks accounting for about 53 per cent of that* figure.

FTSE All-Share index



Equity shares traded
Turnover by volume (million)



Source: FTSE International/Tapic

Indices and ratios

FTSE 100	5449.0	-27.8
FTSE 250	4845.2	-27.6
FTSE 350	2599.7	-13.5
FTSE All-Share	2514.73	-12.65
FTSE All-Share yield	3.12	3.10

FT 30	[illegible]	[illegible]
FTSE Non-Fins p/e	21.03	21.15
FTSE 100 Fut Dec	5481.0	[illegible]
10 yr Gilt yield	[illegible]	[illegible]
Long gilt/equity yld ratio	[illegible]	[illegible]

Best performing sectors

1	Oil Exploration & Prod	+2.3
2	Oil Integrated	+2.2
3	Resources	+1.7
4	Alcoholic Beverages	+1.4
5	Tobacco	+0.8

Worst performing sectors

1	Retailers, Food	[illegible]
2	Engineering, Vehicles	[illegible]
3	Extractive Industries	[illegible]
4	Diversified Industrials	[illegible]
5	Telecommunications	[illegible]

Concern over Iraq lifts oils

COMPANIES REPORT

By Peter John, Martin Brice and Joel Kibazo

Shell Transport and British Petroleum dominated the performance tables yesterday as the effect of political uncertainty on underlying oil prices boosted the shares.

The uncertainty sprang from reports that Iraq's state *oil company would halt* crude oil exports under the UN oil-for-food programme if independent monitors were withdrawn as a result of the US military build-up in the Gulf.

Oil contracts only gained 25 cents a barrel and some analysts were sceptical about the Iraqi situation's impact.

One world-weary specialist said: "I can't help feeling we've been here before. It smacks of Grand Old Duke of York syndrome."

John Toalster of SG Securities preferred to dwell on the latest announcement from Shell about restructuring in Europe. "Investors are seeing similarities with BP in 1992 when corporate embarrassment caused by asset writedowns and redundancies resulted in a major share price re-rating," he said.

Other analysts said there was nothing new in the statement and preferred to wait until the company outlined its strategy on December 14.

Shell rose 11 to 354¼p with *22m shares traded and BP* 13½p to 899½p on turnover of 18m. Elsewhere in the sector, Enterprise rose 20 to 395p and Lasmo 5½ to 173½p.

Zeneca advanced 28 to £22.83 after the company announced plans to sell its specialities unit, increasing its focus on pharmaceuticals operations.

Analysts welcomed the sale as a move out of a relatively low-margin business and one that would provide a cash injection. The sale does not include Zeneca's agrochemicals operations, still seen as a growth area. The businesses are expected to fetch around £1.6bn.

*The big Footsie automo*tive stocks came under pressure as their SmallCap cousin Haden MacLellan said it had seen "a clear slowing down in the global automotive industry".

Traders said the news was likely to put pressure on profit forecasts across the automotive sector, where some analysts have pencilled in growth of 10 per cent.

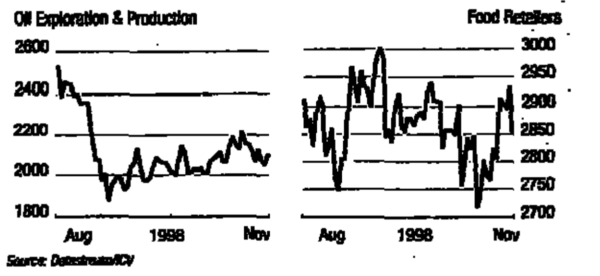
One analyst said: "Most people believed the automotive market had softened slightly, but not by much. It now looks as if forecasts are too high, and people will be reassessing their numbers."

GKN suffered one of the worst performances in the Footsie, with a fall of 28 to 655p, while LucasVarity, which reached 284p earlier this year and suffered in the wake of the failed attempt by management to move its domicile to the US, was down 3 at 199p. BBA fell 9 to 355½p. Haden MacLellan lost almost 28 per cent or 22½ to 59½p.

In the rest of the engineering sector, TI Group followed the market lower, the shares closing 9 off at 344p in modest volume. There were rumours in the market suggesting the company will publish a trading statement at the end of next week. Specialists suggested that, in the light of the global economic slowdown and recent profit warnings from a number of engineering companies, TI's statement was unlikely to be upbeat.

The stock has underperformed the market by more than 27 per cent since the beginning of the year.

Best and worst performing FTSE sectors



Source: Datastream/ICV

Strong two-way business in Marks and Spencer made it the busiest stock of the day with turnover soaring to 28m as directors met to discuss the future management of the group. The shares hardened a penny to 448p.

Media publisher EMI Group surrendered 14½ to 350p as sentiment was hit by a bearish note from Dresdner Kleinwort Benson.

The broker downgraded its recommendation from "hold" to "sell" and said: "EMI's problems continue to multiply. The world economic crisis has caused two profit warnings in Asia and Latin America. The US may be next."

Ladbroke gains

An upbeat trading statement from gaming and hotels company Ladbroke Group saw the shares advance 6½ to 231½p.

Ladbroke said third-quarter profits before tax and exceptional items to the end of September are well ahead of a year earlier.

Cobham was up 47½ to 805p *after a bullish presenta*tion to analysts and fund managers. The engineering group was reassuring on its aerospace business and said the printed circuit board market seemed to be improving.

BT fell 35 to 803p as the company announced encouraging half-year results and a 7 per cent dividend rise. However, analysts said the shares had reached a level where valuations were beginning to appear stretched.

Energis jumped 42½ to 842p on hopes of strong figures *from the service pro*vider on Tuesday.

Telewest fell in early trading but crept back after the company released its 9-month interim figures, closing up a penny at 135p. Marketing services group WPP dipped 11½ to 320p, Warburg Dillon Read moving from "buy" to "hold".

A series of profit warnings highlighted the fragility of earnings among smaller companies in the face of economic slowdown in the UK and abroad.

*The market's worst per*former was branded goods distributor United Overseas, which dropped to its lowest level since it floated last year. The shares fell 40 per cent or 18½ to 27½p, having been 122p earlier this year. The company said it had sacrificed margins to maintain sales in the face of a slowing retail environment.

The second profit warning in two months from Lamont Holdings saw the shares down 12½ before recovering to close off 5 at 46p after the textiles group talked of a slowing of carpet sales in the UK. It also appointed as chairman Dermott Simpson, who is also chairman of BCO Technologies and Phillips Auction Group.

Bemrose Corporation echoed the tale of falling retail demand as the promotional products company said sales of *calendars* and *diaries* were below expectations in the UK and the US. It said its security printing business was performing satisfactorily apart from the Russian lottery ticket contract.

Bemrose announced the resignation of the president of the US business. The shares, which were at 469p *earlier this year, fell 80 to* 277½p.

FT 30 INDEX

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Yr ago	*High	*Low
FT 30	3289.1	3326.2	3291.7	3320.8	3347.4	3090.3	4004.9	2790.6
Ord. div. yield	3.20	3.17	3.19	3.17	3.15	3.70	4.22	2.72
P/E ratio net	20.94	21.15	21.00	21.12	21.30	19.88	25.41	15.80
P/E ratio nil	20.86	21.06	20.91	21.03	21.21	19.61	25.19	15.71

FT 30 since compilation: high 4004.9 15/07/98, low 49.4 26/06/40 Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3323.9	3277.2	3274.1	3284.3	3264.4	3270.3	3263.1	3280.1	3323.9	3261.4

STOCK MARKET TRADING DATA

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Yr ago
SEAQ bargains	51,254	58,460	57,101	63,625	64,156	43,929
Equity turnover (£m)††	-	2726.4	2727.9	2458.0	2620.1	2125.3
Equity bargains†	-	45,578	46,723	47,950	51,365	31,527
Shares traded (m)†	-	702.4	750.7	723.1	748.0	989.3
Total market bargains‡	-	57,741	56,899	63,913	345,929	-
Total turnover (£m)‡	-	3671.1	3555.2	3272.8	20008.4	-
Total shrs traded (m)‡	*814.3	909.7	942.4	917.8	5602.0	-
Tradepoint turnover (£m)	26.2	17.5	22.3	13.7	24.6	37.2
Tradepoint shrs traded(m)	8.6	7.8	10.2	5.5	12.0	13.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	481	Total Highs	21	Total contracts	21,984
Total Falls	920	Total Lows	57	Calls	12,733
Same	1,531			Puts	9,251

Nov 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5442.0	5481.0	-21.0	5510.0	5430.0	[illegible]	[illegible]
Mar	5490.0	5524.0	-22.0	5490.0	5455.0	54	[illegible]
Jun		5570.0	-21.0			0	[illegible]

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4861.0	-27.0			0	5432

FTSE 100 INDEX OPTION (LIFFE) (*5445) £10 per full index point Nov 12

	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P	5450 C	5450 P	5500 C	5500 P	5550 C	5550 P	5600 C	5600 P
Nov	240½	33½	201	43½	164	58	129½	73½	101½	96	75	120	56	[illegible]	37½	134
Dec	298½	130	322	143	287½	159	258½	179½	229	200	200	[illegible]	171	[illegible]	150	[illegible]
Jan	440½	188½	405	206½	375	225½	345	246½	315	[illegible]	286	[illegible]	255	[illegible]	[illegible]	329
Feb	513	251½	482	270½	451½	289½	420½	369½	390	[illegible]	[illegible]	[illegible]	329	[illegible]	[illegible]	[illegible]
Jun†			570	421			688	457½			548	[illegible]			[illegible]	[illegible]

Calls 402 Puts 518

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Nov 12

	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P	5525 C	5525 P	5575 C	5575 P	5625 C	5625 P	5675 C	5675 P
Nov	219½	40	182	52	146½	67	116	86	87	107	62½	[illegible]	44	[illegible]	30	[illegible]
Dec	341	136½	308½	151½	274	168½	242½	187	211	205	182½	[illegible]	157	[illegible]	137½	[illegible]
Jan	424½	199	388½	213½	357	230½	325	248	294	266	262½	[illegible]	237	318	211½	[illegible]
Mar			511½	317½			458½	353½			397½	[illegible]			331½	[illegible]
Jun†			649	413½			590	450½			535	[illegible]			481½	[illegible]

Calls 6,932 Puts 5,504 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	53½	48	Anglian Water B	51½			-	-	
-	F.P.	3.25	85	65	†Chantal	65			-	-	-
§	F.P.	6.10	117	107	Collectors Assets Tst	117			-	-	25.3
-	F.P.	41.2	104	98	Exeter Enhanced	103	[illegible]	[illegible]	-	10.9	-
-	F.P.	381.3	325½	228½	First Active	230	-1		-	-	17.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	-	62½	50½	†Old Mutual Company	53½	+1		-	-	13.5
-	F.P.	7.48	93	90½	Piccadilly Grwth	90½		1.6	0.5	[illegible]	[illegible]
100	F.P.	-	103	97	REXAM B	97½	-1½	-	-	-	-
-	F.P.	-	15	14	Thistle Hls Non Cm Pf	14½		-	-	-	-
-	F.P.	-	15	5	Xenova Wts	13½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 11	% chg on day	Nov 10	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	1088.14	-0.4	1093.76	1155.22	1.69	1091.22	1351.57	701.58
Regional Indices								
Africa (9)	1125.96	-0.2	1127.69	1205.55	3.61	1130.21	[illegible]	765.63
Australasia (9)	1283.59	2.6	1251.15	1164.88	2.36	1308.01	1600.53	915.93
Americas (11)	1054.69	-1.2	1067.75	1157.38	0.70	1055.52	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 12	Day's chge%	Nov 11	Nov 10	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5449.0	-0.5	5476.8	5432.3	4711.0	2.96	2.53	1.98	21.38	132.77	2406.36
FTSE 250	4845.2	-0.6	4872.8	4874.4	4583.3	3.65	3.09	2.14	16.03	122.45	2100.03
FTSE 250 ex Inv Tr	4883.2	-0.5	4908.2	4913.7	4605.3	3.79	3.22	2.21	14.94	126.95	2125.26
FTSE 350	2599.7	-0.5	2613.2	2595.8	2282.8	3.08	2.62	2.01	20.23	63.71	2347.88
FTSE 350 ex Inv Tr	2605.8	-0.5	2619.1	2601.6	2285.8	3.09	2.64	2.02	20.02	64.21	1207.17
FTSE 350 Higher Yield	2519.9	-0.4	2531.1	2507.8	2278.7	4.10	3.48	1.93	15.77	81.02	1951.60
FTSE 350 Lower Yield	2676.6	-0.6	2692.8	2682.0	2299.2	1.98	1.71	2.18	28.97	48.47	1958.50
FTSE SmallCap	2065.69	-0.1	2068.69	2059.81	2288.62	4.02	3.27	1.96	15.84	54.45	1817.52
FTSE SmallCap ex Inv Tr	2030.12	—	2029.92	2022.04	2306.77	4.35	3.54	2.06	13.95	57.75	1806.29
FTSE All-Share	2514.73	-0.5	2527.38	2510.78	2238.43	3.12	2.65	2.01	19.96	61.83	2304.97
FTSE All-Share ex Inv Tr	2523.74	-0.5	2536.12	2519.49	2243.06	3.14	2.67	2.02	19.66	62.59	1190.25

FTSE Actuaries Industry Sectors

	Nov 12	Day's chge%	Nov 11	Nov 10	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(28)	4164.82	+1.7	4095.88	4102.19	4468.44	3.58	3.19	1.51	23.06	132.12	1943.30
12 Extractive Industries(6)	2736.54	-2.5	2806.26	2819.53	3126.00	5.00	4.60	1.99	12.57	126.49	881.34
15 Oil, Integrated(3)	4779.24	+2.2	4675.45	4677.54	4861.15	3.48	3.07	1.45	24.90	145.75	2293.26
16 Oil Exploration & Prod(11)	2098.05	+2.3	2051.55	2074.89	3750.83	2.62	2.29	0.86	49.87	46.95	1313.16
20 GEN INDUSTRIALS(211)	1731.18	-0.9	1746.53	1745.05	1850.82	4.24	3.73	2.22	13.27	58.65	1033.68
21 Construction(39)	1276.65	-0.2	1279.80	1267.07	1345.97	4.01	3.24	2.96	10.53	37.73	1155.63
22 Building Matls & Merchs(26)	1584.09	-1.1	1601.28	1611.38	1751.09	4.73	4.08	2.12	12.48	56.57	878.45
23 Chemicals(23)	1994.25	-0.5	2004.48	2020.16	2360.15	4.60	4.30	1.76	15.43	72.95	1036.26
24 Diversified Industrials(6)	1125.79	-2.3	1152.17	1119.98	1289.00	4.92	4.67	2.10	12.06	57.13	713.14
25 Electronic & Elect Equip(26)	2416.48	+0.5	2403.30	2364.47	2175.83	3.18	2.57	1.85	21.23	60.32	1353.49
26 Engineering(59)	2209.57	-1.1	2234.23	2231.38	2623.69	4.37	3.87	2.23	12.83	78.00	1480.52
27 Engineering, Vehicles(10)	3106.40	-2.6	3189.57	3206.51	3303.92	2.87	2.84	3.27	13.32	75.72	1730.05
28 Paper, Pckg & Printing(22)	1495.74	-1.4	1517.48	1520.97	2155.10	6.17	5.64	2.46	8.25	68.02	687.29
30 CONSUMER GOODS(91)	5657.39	+0.1	5653.67	5603.68	4390.06	2.42	2.18	1.93	26.77	125.19	2259.85
32 Alcoholic Beverages(6)	3531.73	+1.4	3481.82	3371.28	3204.92	3.52	3.27	2.13	16.63	138.96	1415.31
33 Food Producers(27)	3747.57	+0.4	3733.93	3713.74	3097.03	2.41	2.06	2.42	21.47	74.24	1829.01
34 Household Goods & Texts(22)	2596.49	+0.5	2584.48	2572.38	2788.76	4.04	3.59	1.78	17.38	85.80	1111.36
36 Health Care(13)	2431.75	—	2432.12	2414.39	2156.99	2.13	1.97	2.18	26.88	46.87	1569.91
37 Pharmaceuticals(20)	9626.09	-0.4	9667.77	9653.70	6855.76	1.83	1.71	1.59	42.88	166.24	3468.84
38 Tobacco(3)	6923.26	+0.8	6867.10	6582.74	4420.09	4.89	4.09	2.04	12.51	210.91	1961.98
40 SERVICES(286)	3224.22	-1.3	3268.01	3249.65	2754.90	2.69	2.21	2.10	22.11	61.12	1788.43
41 Distributors(29)	1862.94	-1.0	1881.01	1901.58	2537.27	5.32	4.39	2.01	11.71	73.19	744.44
42 Leisure & Hotels(28)	2951.27	-1.4	2991.81	3025.85	3153.19	3.19	2.67	2.82	14.92	79.87	1686.03
43 Media(39)	4057.37	-1.2	4106.84	4109.90	3982.71	2.67	2.16	2.14	22.64	84.17	1549.51
44 Retailers, Food(13)	2855.55	-2.6	2933.24	2896.84	2862.62	3.21	2.57	2.16	17.97	88.90	1986.73
45 Retailers, General(49)	3030.91	+0.4	2022.25	2012.87	2278.96	3.76	3.02	2.10	15.80	56.29	1253.47
46 Telecommunications(8)	4638.19	-2.1	4738.91	4671.18	2488.92	1.93	1.58	1.65	39.16	47.70	2274.98
47 Breweries, Pubs & Rest.(24)	3381.04	+0.7	3356.29	3342.83	3243.77	3.65	2.93	2.37	14.42	71.67	1739.40
48 Support Services(65)	4116.91	-1.7	4189.54	4190.75	3248.27	1.51	1.28	2.69	30.66	48.98	2726.99
49 Transport(25)	3375.34	-1.1	3413.30	3403.36	2920.72	3.16	2.67	2.02	19.58	78.82	1521.23
60 UTILITIES(21)	4319.76	-0.1	4324.13	4263.53	3191.30	3.76	3.10	1.75	18.95	101.47	2087.88
62 Electricity(8)	4741.81	+0.1	4737.04	4628.15	3507.87	4.28	3.43	1.86	15.66	113.98	2804.48
64 Gas Distribution(2)	3455.25	-0.6	3476.67	3476.03	2359.41	1.95	1.56	‡	‡	54.02	2014.08
68 Water(11)	3728.58	+0.1	3726.28	3682.33	3012.76	4.63	4.07	2.36	11.44	112.14	2333.55
69 NON-FINANCIALS(623)	2588.20	-0.5	2600.44	2585.58	2283.10	3.02	2.59	1.97	21.00	61.09	2130.61
70 FINANCIALS(105)	4684.47	-0.5	4710.02	4667.14	4260.54	3.52	2.91	2.16	16.44	134.82	2191.34
71 Banks, Retail(12)	6874.53	-0.5	6909.74	6874.84	6274.46	3.72	2.97	2.12	15.87	199.47	2435.25
73 Insurance(15)	2090.42	-0.2	2094.64	2096.03	1827.47	3.38	3.19	2.01	18.39	77.07	1752.76
74 Life Assurance(8)	6775.96	-0.6	6819.67	6679.45	5177.26	2.84	2.48	2.70	18.26	187.30	3054.67
77 Other Financial(25)	3504.36	-1.5	3558.21	3550.46	3215.34	3.08	2.54	2.58	15.68	97.86	2157.98
79 Property(45)	1771.20	-0.5	1779.52	1791.14	2123.15	3.77	3.18	1.59	20.82	41.72	1173.04
80 INVESTMENT TRUSTS(115)	3407.85	-0.9	3440.08	3416.13	3199.75	2.39	1.95	1.18	44.48	58.05	1250.44
89 FTSE All-Share(843)	2514.73	-0.5	2527.38	2510.78	2238.43	3.12	2.65	2.01	19.96	61.83	2304.97
105 FTSE All-Share ex Inv Tr(728)	2523.74	-0.5	2536.12	2519.49	2243.06	3.14	2.67	2.02	19.66	62.59	1190.26
Information Technology	1220.38	-2.9	1257.29	1274.25	-	0.77	0.61	4.08	39.85	6.84	1236.32
FTSE Fledgling	1135.45	-0.2	1137.58	1138.08	1251.84	3.85	3.17	1.43	22.72	32.10	1274.91
FTSE Fledgling ex Inv Tr	1142.41	-0.1	1143.05	1142.71	1274.83	4.21	3.47	1.52	19.52	36.84	1289.50
FTSE AIM	822.4	+0.6	817.4	813.3	986.3	1.16	0.92	0.52	60.00†	9.35	764.06

Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5464.2	5407.9	5414.6	5444.1	5408.6	5436.1	5410.2	5438.5	5464.2	5402.4
FTSE 250	4864.4	4847.1	4839.7	4850.0	4849.9	4847.0	4843.6	4844.6	4864.4	4839.3
FTSE 350	2607.5	2583.6	2585.6	2598.2	2583.3	2590.8	2584.2	2595.9	2607.5	2582.4
FTSE SmallCap	2064.26	2062.49	2063.47	2064.13	2084.44	2084.17	2083.30	2085.65	2085.65	2062.31
FTSE All-Share	2521.80	2499.77	2501.61	2513.29	2499.63	2506.48	2500.35	2511.23	2521.80	2498.64

Time of FTSE 100 Day's high: 9:03:00 Day's low: 10:12:30. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:03:00 Day's low: 10:12:00. FTSE All-Share 1998 High: 2965.27 (20/07/98) Low: 2168.10 (05/10/98)

Further information is available on http://www.ftse.com.
 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	[illegible]	[illegible]	-1
AMVESCAP	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates a constituent of the FTSE 100 Index.

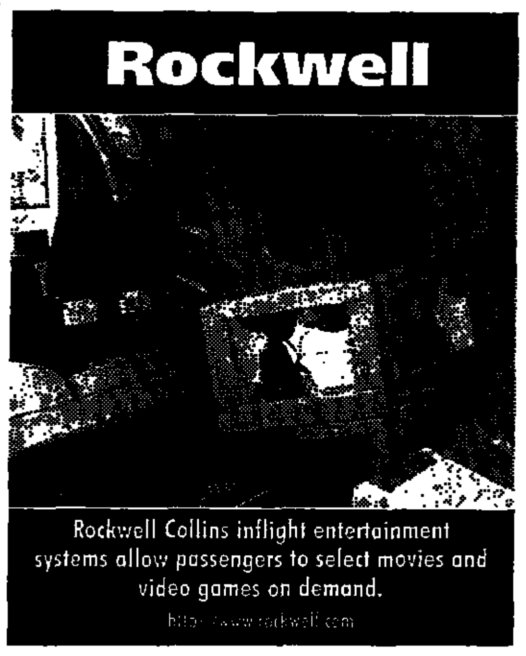
Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 12 / Sch)

[illegible]



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 11 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 10 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	198.09	2.7	176.80	152.51	172.84	208.88	1.6	3.57	192.86	171.98	149.30	168.84	205.65	219.96	163.86	205.81
Austria (22)	185.37	0.2	165.44	142.72	161.74	161.62	-0.1	2.16	184.93	164.91	143.16	161.90	161.78	253.73	166.45	192.63
Belgium (22)	370.30	0.4	330.50	285.10	323.09	316.15	0.0	2.14	368.91	328.99	285.59	322.98	316.15	398.52	242.42	244.23
Brazil (32)	156.07	-2.7	139.30	120.16	136.18	341.98	-2.8	2.60	160.43	143.07	124.20	140.45	351.71	289.34	102.68	206.11
Canada (119)	190.17	0.0	169.73	146.41	165.93	212.93	0.1	1.86	190.15	169.57	147.20	166.47	212.63	248.78	159.94	214.31
Denmark (34)	468.24	1.0	417.91	360.50	408.55	408.35	0.7	1.72	463.41	413.26	358.75	405.71	403.51	537.33	408.26	414.30
Finland (28)	450.69	2.5	402.24	346.99	393.23	482.71	2.2	1.89	439.55	391.98	340.28	384.82	472.49	506.48	267.59	312.31
France (76)	295.63	0.4	263.86	227.61	257.95	280.95	0.1	2.39	294.40	262.54	227.91	257.75	260.80	345.18	222.08	224.54
Germany (55)	262.89	1.5	234.63	202.40	229.38	229.38	1.2	1.41	259.97	230.94	200.48	226.73	226.73	325.61	208.90	214.50
Greece (35)	279.35	0.4	249.32	215.07	243.74	583.80	-0.6	1.54	278.23	248.12	215.39	243.59	567.07	333.20	211.47	-
Hong Kong, China (67)	314.52	4.7	280.71	242.15	274.42	312.66	4.8	4.19	300.31	267.81	232.49	262.92	298.42	389.07	198.64	342.25
Indonesia (26)	43.93	3.8	39.21	33.83	38.33	210.23	0.6	1.51	42.33	37.75	32.77	37.06	209.04	118.12	19.04	118.12
Ireland (16)	469.18	0.9	418.75	361.23	409.37	445.91	0.6	2.13	464.81	414.51	359.83	406.94	443.26	560.44	373.47	380.08
Italy (59)	153.34	1.7	136.86	118.06	133.80	190.12	1.4	1.47	150.73	134.42	116.69	131.96	187.54	184.49	105.79	107.56
Japan (446)	94.58	2.6	84.42	72.82	82.53	72.82	2.0	1.03	92.18	82.21	71.36	80.71	71.36	109.73	76.83	101.49
Mexico (29)	1173.16	-0.4	1047.06	903.23	1023.61	12840.17	-0.7	1.99	1177.64	1050.19	911.67	1031.01	12928.53	1803.07	787.15	1502.14
Netherlands (27)	471.14	1.1	420.50	362.73	411.08	406.89	0.8	2.29	465.78	415.35	360.57	407.77	403.56	562.38	391.03	402.26
New Zealand (18)	58.36	-1.0	52.09	44.93	50.92	58.32	-1.5	4.95	58.92	52.55	45.62	51.59	59.20	87.09	45.68	87.09
Norway (38)	230.84	2.6	206.03	177.73	201.41	233.49	2.1	2.58	225.05	200.69	174.22	197.03	228.58	357.71	181.86	347.95
Philippines (22)	74.58	5.1	66.65	57.41	65.06	150.67	4.2	1.03	70.97	63.29	54.94	62.13	144.65	106.98	42.48	89.85
Portugal (18)	248.82	0.4	222.07	191.57	217.10	292.97	0.0	1.11	247.87	221.05	191.89	217.01	292.95	299.39	194.13	-
Singapore (41)	183.06	7.5	163.39	140.94	159.73	139.28	7.1	2.27	170.29	151.86	131.83	149.09	128.99	264.82	102.45	248.38
South Africa (39)	210.23	0.1	187.64	161.86	183.43	262.24	1.1	3.54	210.06	187.33	162.62	183.91	259.43	346.20	151.56	289.70
Spain (30)	359.91	0.5	321.23	277.10	314.03	389.01	0.1	2.04	358.29	319.51	277.37	313.69	388.66	417.73	241.06	245.66
Sweden (46)	474.19	1.0	423.22	365.09	413.74	559.34	1.2	2.09	469.34	418.55	363.34	410.90	552.60	628.19	379.18	474.52
Switzerland (30)	382.88	1.5	341.72	294.78	334.07	328.71	1.2	1.30	377.28	336.45	292.07	330.31	324.91	439.48	307.73	314.77
Thailand (35)	21.34	8.7	19.05	16.43	18.62	30.39	7.8	3.11	19.63	17.50	15.20	17.19	28.19	33.84	8.15	31.97
United Kingdom (208)	354.53	0.7	316.42	272.96	309.34	316.42	0.8	3.10	352.10	313.99	272.57	308.26	313.99	401.84	307.66	321.97
USA (621)	458.98	-0.7	409.64	353.37	400.47	458.98	-0.7	1.43	461.98	411.98	357.64	404.46	461.98	485.83	369.13	376.27
Americas (801)	408.98	-0.6	365.02	314.88	356.85	346.92	-0.6	1.45	411.61	367.06	318.65	360.36	349.14	437.03	335.19	342.07
Europe (739)	330.42	1.0	284.91	254.40	288.30	299.73	0.8	2.25	327.19	291.78	253.29	286.45	297.35	386.24	272.02	276.35
Eurobloc (347)	95.22	1.1	84.98	73.31	83.08	89.91	0.7	1.91	94.21	84.01	72.93	82.48	89.27	113.28	81.53	-
Nordic (146)	443.23	1.5	395.58	341.25	386.73	443.47	1.4	2.01	436.84	389.56	338.18	382.45	437.37	555.97	360.04	420.47
Pacific Basin (730)	102.78	2.9	91.73	79.13	89.68	81.18	2.3	1.60	99.92	89.11	77.35	87.48	79.36	119.48	82.88	112.63
Euro-Pacific (1468)	197.37	1.5	176.15	151.98	172.21	163.09	1.2	2.05	194.37	173.34	150.47	170.17	161.09	220.19	166.00	180.94
North America (740)	440.88	-0.6	393.50	339.44	384.68	442.08	-0.6	1.44	443.66	395.65	343.48	388.42	444.85	469.20	359.18	366.16
Europe Ex. UK (530)	307.41	1.1	274.37	236.68	268.23	282.65	0.8	1.83	303.57	271.07	235.31	266.12	280.38	386.32	242.12	248.05
Europe Ex. Eurobloc (391)	90.58	0.9	80.85	69.74	79.04	89.51	0.9	2.59	89.77	80.06	69.50	78.59	88.72	103.93	77.40	-
Europe Ex. UK Ex. Eurobloc (183)	91.14	1.3	81.35	70.17	79.52	87.30	1.1	1.56	89.94	80.21	69.63	78.74	86.34	109.21	75.16	-
Pacific Ex. Japan (284)	179.86	3.6	160.53	138.48	156.93	183.30	3.2	3.73	173.21	154.46	134.09	151.64	177.53	217.77	128.26	212.24
World Ex. Eurobloc (1961)	96.47	0.2	86.10	74.27	84.17	95.57	0.1	1.69	96.30	85.88	74.55	84.31	95.48	103.16	83.09	-
World Ex. US (1687)	197.43	1.4	176.21	152.00	172.26	168.15	1.1	2.06	194.67	173.60	150.71	170.43	166.24	221.91	165.95	184.70
World Ex. UK (2100)	274.80	0.3	245.26	211.57	239.77	245.89	0.1	1.57	274.05	244.39	212.15	239.92	245.58	298.02	234.24	239.14
World Ex. Japan (1862)	374.82	0.1	334.53	288.58	327.04	384.13	0.0	1.81	374.60	334.06	290.00	327.96	364.19	411.23	312.98	318.88
The World Index (2308)	281.64	0.3	251.37	216.84	245.74	252.39	0.2	1.73	280.75	250.37	217.35	245.80	251.91	308.56	241.30	246.17

Emerging markets: IFC investable indices

[illegible]

PACIFIC

AFRICA

AMERICAS

[illegible]

4 pm close November 12

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8823.82	8863.98	8897.96	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.01	106.21†	106.08	107.82 (5/10)	104.42 (11/6)	107.82 (5/10/98)	54.99 (1/10/81)
Transport	2838.74	2864.78	2909.64	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	305.44	310.08	307.38	320.61 (8/10)	262.65 (9/1)	320.61 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 8969.35 (9020.00) Low 8759.19 (8760.98) (Theoretical‡) Day's high 8936.07 (8929.35) Low 8792.66 (8854.71) (Actual‡)

Standard and Poors	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1120.97	1128.26	1130.20	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1344.27	1349.90	1349.85	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial♥	118.97	120.87	122.45	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	553.36	557.42	559.14	600.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	663.81	665.09	668.11	753.67 (22/4)	593.75 (8/10)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Comp	1882.16	1865.62	1861.05	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	393.47	396.86	398.43	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Nov 6	Oct 30	Oct 23	Year ago
Dow Jones Ind. Div. Yield	1.68	1.75	1.77	1.76
	Nov 4	Oct 28	Oct 21	Year ago
S&P Ind. Div. yield	na	1.36	1.38	1.50
S&P Ind. P/E ratio	na	31.32	31.24	25.28

US DATA

MARKET ACTIVITY

● Volume (million)	Nov 11	Nov 10	Nov 9
NYSE	715.750	679.730	693.000
Amex	27.059	35.105	24.223
NASDAQ	939.053	914.229	848.096

NYSE	Nov 11	Nov 10	Nov 9
Issues Traded	3,489	3,505	3,606
Rises	1,197	1,247	1,109
Falls	1,790	1,780	1,917
Unchanged	502	478	480
New Highs	39	45	53
New Lows	27	30	25

NYSE TRADING ACTIVITY — Volume : 715,750,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	25,745,300	34½	+2¼
Citgrp	12,973,600	42⅞	–1⅛
Chrysler	11,247,400	47	+⅛
AmOnLine	9,943,400	137⅜	–7⅝
PhMorr	8,504,700	53⅝	–⅜
MicronTech	7,166,400	47⅝	+3¾
Teleset	5,305,700	69⅛	+5⅛
BankAm	5,319,300	58¾	–2⅛
IBM	4,793,300	157⅞	+1¾
HewPac	4,667,800	65¾	+2⅛

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Unitrde	15¾	+1⅞	+14.2
URS	21⅞	+1⅞	+9.0
Carolin	21⅛	+1¾	+8.9
OffDep	29¾	+2⅛	+8.6
Downs			
DataGn	18¾	–1⅛	–7.4
Smithln	33⅛	–2¾	–7.3
Oregon Stl	13⅛	–1	–7.0
Advest Grp	19⅝	–1⅜	–6.6

NASDAQ TRADING ACTIVITY — Volume :939,053,000

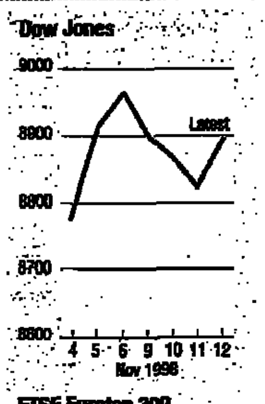
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Intel	31,355,800	103⅞	+6⅛
DellCmp	28,778,300	71⅞	+1¾
Oracle	18,871,200	33⅛	+2
Micsft	15,211,700	111⅛	–1
Excite	14,820,800	48⅞	–2⅞
CiscoSys	14,225,600	65⅛	–⅞
Yahoo	12,911,100	185	–11⅛
Egghead	10,813,000	19	–⅜
SunMic	8,902,200	63⅛	–1⅛
AppleC	8,438,800	33⅛	–1⅛

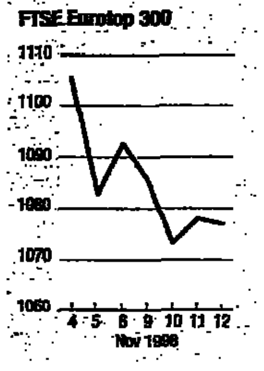
BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Oxigene	10⅜	+4¼	+77.6
Sequent	12⅛	+2¾	+28.0
CrdSys	16¾	+1⅞	+13.0
ASMLth	28¾	+3¼	+12.3
Downs			
SuprServ	20⅛	–3⅝	–16.1
Books‑a‑Mil	41⅝	–6¼	–12.8
CarboCeramics	22¼	–3⅛	–12.0
eBay Inc	115⅞	–14⅞	–11.4

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 12	Nov 11	Nov 10	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14075.06	14428.02	14108.09	17264.34	12879.97	38915.9	85.25

Day's high: 14418.98. Day's low: 14075.06.

TOKYO TRADING ACTIVITY — Volume : 404,000,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Sakura	28,012,000	348	–2
SumTrB	12,488,000	381	+2
NpStl	11,894,000	220	–1
Tohitsu	11,072,000	598	+12
FujiBk	9,133,000	516	–27
YasTrB	8,555,000	140	–9
MitElec	8,514,000	280	+15
SumRt	8,101,000	401	–14
SumMtl	6,090,000	119	–3
Nomura	5,737,000	1062	–8

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Chyoda	176	+21	+13.5
NpSoso	335	+38	+12.8
JSR Cp	520	+42	+8.8
Shok.It	63	+5	+8.6
Downs			
DaiwaP	530	–60	–10.2
NtSa	113	–11	–8.9
Arcano	1040	–81	–7.2
Sumitmy	222	–16	–6.7

FRANCE

	Nov 12	Nov 11	Nov 10	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3560.23	(c)	3544.74	4388.48	2662.54	4388.48	984.61

Day's high: 3560.23. Day's low: 3502.76.

PARIS TRADING ACTIVITY — Volume : 409,229,010

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
FrTele	2,591,341	399.7	+19.8
Alctel	1,378,978	592	+9
RenoPA	1,248,994	249.5	–5.3
TotalB	894,197	682	+10
EliAqu	834,751	890	+15
STMicro	774,153	387	+41
Axa	708,954	628	–10
Paribas	698,764	409.3	–6.7
MichlnB	694,876	229.5	–17.5
BNP	637,398	353.5	+4.5

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
STMicro	387	+41	+11.8
Infotch	1838	+152	+9.0
Atos	1120	+89	+8.6
FrTele	399.7	+19.8	+5.2
Downs			
MichlnB	229.5	–17.5	–7.1
Sefimeg	363.9	–22.6	–5.8
Dllfus	68.2	–3.8	–5.3
DassSy	213	–11	–4.9

GERMANY

	Nov 12	Nov 11	Nov 10	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4639.89	4717.70	4652.76	6171.43	3896.08	6171.43	931.18

Day's high: 4698.38. Day's low: 4629.93

FRANKFURT TRADING ACTIVITY — Volume : (o)

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Bayer	571,813	63.95	–0.9
Cmrzbk	436,253	54.2	+0.7
BASF	417,758	62.3	–0.8
Siemns	392,705	109.5	–2.5
Dt Tel	378,818	44.75	–0.85
Lufthn	375,803	34.6	–0.8
Veba	327,400	87.7	–3.6
Dt Bk	318,619	99.7	–1.15
FagKug	287,386	16	–1.8
DrsdBk	219,822	61.3	–2.8

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
WellaPf	1350	+50	+3.8
ColKnz	198	+5	+2.6
Downs			
FagKug	16	–1.8	–10.1
SKW	42.2	–4.1	–8.9
Strbag	107	–8	–7.0
BrauBn	175	–11	–5.9
Porsche	3500	–200	–5.4
AaMnRg	265	–15	–5.4

UK

	Nov 12	Nov 11	Nov 10	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5449.0	5476.8	5432.3	6179.00	4648.70	6179	986.9

Day's high: 5476.8. Day's low: 5402.4

LONDON TRADING ACTIVITY — Volume : 814,300,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Shell	21,888,040	354½	+11¼
BCC	21,499,840	57	+3
Mks&Spencer	20,609,490	448	+1
Br Petroleum	18,551,670	898½	+13½
Tesco	15,578,890	173	–5½
Centrica	14,820,820	115½	–2½
S'tdrs Bchm	13,183,880	714	–11½
Laird	10,509,610	138½	–1½
Br Telecom	10,055,780	808	–35
BTR	8,803,123	104½	–½

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Burn Stewart	19	+6	+46.2
Maiden	285	+35	+14
Headlam	228½	+27	+13.4
Downs			
Utd Overseas	27½	–18½	–40.2
Haden Mac	59½	–22½	–27.4
Benrose	277½	–80	–22.4
World Telecm	75	–21	–21.9
Oxford Inst	167½	–45	–21.2

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	1125.90	1124.30	–4.70	1126.50	1120.80	83,666	397,885
Mar	–	1134.00	–3.00	–	1131.50	860	14,804
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	14360.0	14120.0	–360.0	14440.0	14080.0	24,898	191,339
Mar	14300.0	14080.0	–380.0	14340.0	14080.0	49	7,649

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3548.0	3569.0	+17	3570.0	3512.0	56,507	213,556
Dec	3542.0	3577.5	+17	3578.0	3515.0	2,391	78,546
DAX							
Dec	4680.0	4675.5	–48.5	4695.0	4642.5	14,830	80,682
Mar	4712.0	4715.0	–46.0	4717.0	4699.5	28	3,230

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	639.00	638.75	–7.25	642.75	635.50	11,516	212,469
Dec	640.75	640.50	–8.50	643.00	638.50	621	19,114
SOFFEX							
Dec	6624.0	6734.0	+56.0	6744.0	6570.0	25,128	161,092
Mar	6631.0	6758.0	+44.0	6755.0	6630.0	314	4,880

WORLD MARKETS AT A GLANCE

Country	Index	Nov 12	Nov 11	Nov 10	1998 High	1998 Low	✻ Yield	✻ P/E
Argentina	General	18850.65	18854.63	18788.65	23486.47 23/3	12303.14 10/9	3.37	12.30
	Edged higher following Wall Street.							
Australia	All Ordinaries	2708.3	2720.7	2682.4	2881.40 16/4	2488.20 1/9	3.13	20.40
	All Mining	631.7	631.3	627.6	713.10 23/4	489.88 31/8		
	Falls beat rises by 3 to 2 in heavy volume of A$1.1bn after strong jobs data knocked hopes for lower interest rates.							
Austria	Credit Aktien	(u)	(u)	(u)	584.34 26/5	345.44 8/10	1.97	12.60
	ATX Index	1117.52	1139.21	1136.70	1628.56 26/5	982.06 1/10		
	Bank Austria the most active, rising 1.8 per cent.							
Hungary	Bux	5578.61	5612.18	5529.87	9016.38 23/4	3775.82 21/9	na	na
	Spirits maker Zwack was day's top performer, gaining 6.4 per cent.							
India	BSE Sens.	3009.67	2976.17	3004.67	4280.98 21/4	2764.16 20/10		
	Crisil 500	592.49	589.63	591.13	815.82 21/4	557.88 20/10	na	na
	Rumours that Reliance Industries would announce share buybacks led to a surge in last-minute activity.							
Indonesia	Jakarta Comp.	357.97	383.00	357.38	554.18 2/2	258.83 21/8	2.83	22.40
	Weakened as thousands of students marched on parliament to protest against special session of highest legislative body.							
Portugal	BVL 30	4598.13	4683.72	4687.58	6176.99 22/4	3998.08 2/10	2.05	26.60
	PSI 20	10522.25	10720.45	10735.06	14292.99 22/4	8114.51 2/10		
Russia	RTS	60.53	60.75	60.66	411.81 5/1	38.53 5/10	na	na
	Shares closed almost unchanged in dull trading as investors awaited debt restructuring details.							
Singapore	SES All-S'pore	339.67	352.68	335.12	437.98 19/3	253.20 4/9	2.40	18.58
	Straits Times	1197.19	1236.82	1172.08	1608.25 19/3	805.84 4/9		

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THE NASDAQ-AMEX MARKET GROUP 4 pm close November 12

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THE NASDAQ-AMEX MARKET GROUP

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AMEX 4 pm close November 12

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EASDAQ

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STOCK MARKETS

Downbeat day offers investors indigestion

WORLD OVERVIEW

Equity markets in Asia and Europe faced a diet of disappointments yesterday, spiced with concerns over the growing threat of a US military strike on Iraq in response to President Saddam Hussein's refusal to co-operate with arms inspections, *writes Michael Morgan*.

Wall Street, when it opened, gave little immediate help. US investors adopted a cautious approach ahead of next week's Federal Reserve policy meeting, content to mull over key earnings reports and forecasts for clues to the outlook for US interest rates.

Late in the European day, however, the Dow was looking healthier, as were the dollar, a safe haven in time of international tensions, and oil prices.

Tokyo set the downbeat tone for Asia as investors took the view that the government's latest plan to kick-start its stalled economy was too little, too late. Renewed worries over Thailand's banking sector sent Bangkok sharply lower for a second straight day while Kuala Lumpur and Singapore were among the other big losers.

Wall Street's overnight weakness and Asia's woes set the scene for Europe. Frankfurt was further depressed by disappointment with some of the day's heavy flow of corporate reports while in Paris, the motor sector was among the biggest losers after Michelin, the tyremaker, tumbled after reporting a fall in third-quarter sales.

By contrast, the oil companies had a good day across Europe, fuelled by the rise in crude prices. Useful gains were booked by Elf and Total in Paris and Royal Dutch/Shell in Amsterdam.

Elsewhere, Stockholm was a weak performer, unmoved by news that the Riksbank had cut deposit and lending rates, which paves the way for a further reduction in the repo rate. The key rate was last trimmed by 25 basis points to 3.85 per cent on November 3.

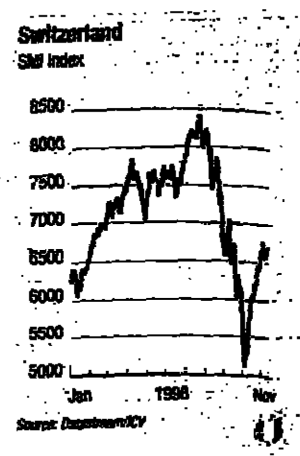
Ian Harnett at BT Alex Brown offered a word of caution on the outlook for European markets after their near 20 per cent rally from the October low. Although this appeared to have been prompted by US and some European rate cuts, Mr Harnett believed that currency weakness explained more of the bounce.

Sector moves, however, suggested that macro-factors played only a modest role, with the big losers from the correction now leading the performance.

"We, therefore, remain suspicious that this is just a bear-market bounce, rather than a bull-market turn," he said. "Only if policy eased in the Emu core could the rally be sustained."

MARKET FOCUS

Zurich chases SMI newcomer



The best-performing stock on the blue-chip SMI has only been around for just over a month. Swisscom, the partially privatised Swiss telecoms company, has risen 38 per cent since it started trading on October 5, compared with a mere 5 per cent gain for the SMI.

Swisscom's market debut at SFr340 a share came a day before the SMI pulled out of its late-summer nose-dive. While Swiss retail investors generally steered clear of the issue, there was heavy foreign interest in the shares, which were sold at around 13 times estimated 1999 earnings. They jumped 10 per cent on their first day and are now trading at around SFr460, or 16 times next year's earnings.

The Swisscom issue coincided with a low point for the Swiss financial sector. The shares of UBS and Credit Suisse, the big two banks, had shed more than half their value in little over two months following well-publicised problems in Russia, emerging markets and hedge funds.

Since then the Swiss market has rebounded 30 per cent and outperformed most European markets, partly because it had fallen far more heavily than any other since the SMI peaked at 8,412 on July 21. But it also reflects an increasing awareness that Switzerland still boasts some big stocks with considerable defensive attractions.

Nestlé, the world's biggest food company, has risen by a third this year making it the second-best SMI performer, followed by Holderbank, the cement company – up 25 per cent.

While analysts are downgrading engineering groups, such as ABB and Sulzer, and Swatch, the watchmaker, to reflect the slowdown in world growth, Roche and Novartis, the two big pharmaceuticals, account for 40 per cent of the SMI, and their profits are accelerating.

Mirko Sangiorgio, head of research at Geneva's Pictet & Cie, has cut his forecast 1999 earnings growth from 22 per cent to 19 per cent. Merrill Lynch and BT Alex Brown are forecasting around 18 per cent growth.

Hans Kaufmann of Bank Julius Baer stresses that with Swiss interest rates at all-time lows, the bond market offers little rival attraction. He estimates the market is selling on 16 times earnings for 2000, against its long-term average of 17.9 times.

Meanwhile, the merger of Ciba Specialty Chemicals and Clariant is another reminder of the speed with which corporate Switzerland is restructuring. The new group is committed to growing 50 per cent faster than world economic growth and wants to please shareholders.

However, there remain two dark spots on the horizon – the euro and the US dollar. If the Swiss franc appreciates sharply against either, the chances are slim that the SMI can rise by another 1,000 points over the next year as some analysts are predicting.

Dr Kaufmann is sticking to his SMI forecast of 7,800 by end-1999, but warns: "The ice is still very thin."

William Hall

Gulf tension puts damper on US shares

AMERICAS

Wall Street staged a partial recovery from morning lows caused by mounting tensions between the US and Iraq, but the Dow Jones Industrial Average was struggling to hold on to gains in midday trading, *writes John Labate in New York*.

In early afternoon trading the Dow had gained 13.38 to 8,837.20, while the broader Standard & Poor's 500 index was down 1.79 to 1,119.18. The Nasdaq composite index was off its lows but remained down 2.76 to 1,859.35. Small-company shares slipped as well, sending the Russell 2000 index down 2.07 to 391.40.

"Oil and gold stocks are the main sectors being effected," said Warren Epstein, director of trading at Richard Rosenblatt & Co. in New York.

Exxon and Chevron shares led the Dow higher, with Exxon climbing 4 per cent or \$2 13/16 to \$72 13/16 and Chevron up \$2 7/16 to \$82 5/16.

Chrysler was \$5/8 higher at \$47 7/16 as the stock topped the list of most actively traded stocks on the New York Stock Exchange on their final day of trading. From Tuesday, Daimler/Chrysler shares will trade on the NYSE.

Specialty retailer Gap rose \$1¼ to \$68 13/16 but K-mart fell \$1½ to \$15¾ after each company soundly beat analysts' expectations in their quarterly performance results. Seattle-based retailer Nordstrom shot up 7.3 per cent to \$33 after Morgan Stanley raised its rating.

EarthWeb, the internet services company that posted a premium of more than 247 per cent on its offer price on Wednesday, its first day of trading, put in another stellar performance, gaining 44 per cent or \$21 11/16 to \$70 11/16. Other internet stocks also rose, including Yahoo!, up \$4¼ to \$169½.

Research group Gartner Group declined more than 14 per cent or \$3¼ to \$18½ after reporting its quarterly earnings and on a rating downgrade by Morgan Stanley.

TORONTO climbed steadily at midsession, led by precious metals and financial service companies, and the TSE 300 composite index rose 52.22 or 0.8 per cent to 6,331.50.

Precious metals companies moved up 93.76 or 1.4 per cent to 6,849.28 while financial services concerns improved 36.44 or 0.5 per cent to 7,526.89.

Shares in Provigo, the supermarket company that is the subject of a C\$1.6bn bid, reached a record high after its principal shareholder said it was in talks with other possible buyers. The shares rose 20 cents to C\$15.25.

SAO PAULO stocks edged down in early trading, reflecting overnight falls in Asian markets and continued uncertainties about the timing of the International Monetary Fund's loan deal for Brazil.

The Bovespa index fell 135 or 1.7 per cent to 7,628 after declining 3 per cent on Wednesday.

MEXICO CITY was weak at midsession as traders took a cautious line over the 1999 budget, due to be presented to congress today.

The benchmark IPC index was 22.88 lower at 4,094.81, as further speculation about a possibly unsatisfactory outcome to the controversial \$60bn Fobaproa bank bailout debate also continued to influence the market.

BUENOS AIRES was slightly higher in thin midday trade, with the Merval index up 0.15 per cent at 478.26.

Blue-chip results depress Dax

EUROPE

Disappointment with some of the day's corporate news sent **FRANKFURT** lower even as Wall Street made concerted efforts to keep its head above water. The Xetra Dax index finished 59.43 lower at 4,645.89.

Deutsche Telekom lost 72pfg to DM45.28 in heavy trade after the company unveiled plans to cut telephone charges from January in an escalating price war. The former state-owned group said it planned to offset the reduction in revenues through an improvement in its competitive position and volume growth, as well as by developing other business activities.

Its rival, Mobilcom, lost DM8 to DM497 in spite of announcing that pre-tax profits rose fivefold in the first nine months while sales almost quadrupled.

The FTSE Eurotop 300 index fell 1.27 or 0.12 per cent to 1,077.94. See Euro Prices page.

Among the day's other corporate reporters, Veba lost DM2.97 to DM88.53 after the diversified utility disappointed the market with news that full-year net profit was likely to fall significantly below the 1997 level.

RWE eased 85 pfg to DM86.15 in spite of improved first-quarter net profit.

Engineering group Linde was a winner, up DM1.50 to DM911.50, on nine-month figures, and plans to raise its dividend if its earnings improvement was maintained to the end of the year.

Specialised chemicals group SKW Trostberg fell DM3.30 to DM42.35 as the company warned it was questionable that it would be able to achieve its 1999 business goal.

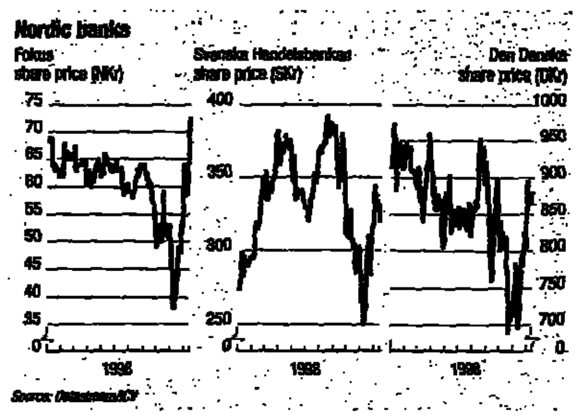
OSLO edged lower, with the Total index closing 8.37 or 0.9 per cent down at 950.51, although investors focused on the bidding war for Fokus Bank.

Fokus, which accounted for about half of total turnover, jumped NKr8.50 or 13.3 per cent to NKr72.50 after Denmark's Den Danske Bank made a bid at NKr77 per share.

Norway's fifth largest bank has been targeted by Sweden's Handelsbanken, which has made an offer of NKr70 per share. Handelsbanken yesterday said it would not raise its bid.

Fokus's own plans for a merger with Norway's Christiania Bank and state-run Postbanken, collapsed this week in disagreement about how much to pay the post office, Postbanken's partner, for the use of its services.

In Copenhagen, Den Danske closed up DKr5 to DKr880, while Handelsbanken dropped SKr9.50 or 2.9 per cent to SKr318.50 in Stockholm.



MILAN recovered from opening lows thanks to sharp gains in Telecom Italia, and the Mibtel index rose 113 or 0.6 per cent to 20,604.

Telecom Italia gained L599 or 5 per cent to L12,415. The shares rallied on speculation that the ENI chief executive, Franco Bernabe, could be appointed as the telecom group's chief executive, while a European Union ruling that the licence fees charged by the Italian government were too high also supported sentiment.

CIR, the holding company, rose L20 or 1.4 per cent to L1,485. Carlo De Benedetti, a leading shareholder, commented that the company had plenty of liquidity for interesting investments.

MADRID drifted higher amid light trading, and the general index rose 4.18 or 0.5 per cent to 793.98.

Jitters over corporate results weighed on share prices. Acerinox lost Pta170 or 5.4 per cent to Pta3,010 on poor nine-month results.

Iberdrola fell Pta35 to Pta2,360 ahead of the post-market earnings announcement, while Telefónica fell Pta20 to Pta6,320 ahead of next week's results.

AMSTERDAM drew back slightly as investors pulled away from stocks they perceived as being vulnerable to an economic downturn. The AEX index fell 13.63 or 1.3 per cent to 1,038.71 on a relatively quiet day of trading.

Akzo Nobel, the speciality chemicals group, fell Fl 2.40 or 3.5 per cent to Fl 66.50, apparently on worries about the cyclicality of its earnings growth.

VNU, the consumer and business publisher, shed Fl 5.50 or 8 per cent to finish on Fl 63.50, reflecting a belief in an imminent fall in demand for advertising, which accounts for about Fl 1.5bn of sales.

Aegon, the insurance group, slipped Fl 1.5 or 0.8 per cent to Fl 183 amid concerns that its third-quarter results, announced today, might fail to meet analysts' expectations.

One analyst said the market was pausing after rallying from the lows of last month. The index has risen 25 per cent since it closed at 827.67 on October 8.

PARIS finished marginally higher as volumes picked up slightly. The CAC-40 index ended 15.49 or 0.4 per cent higher at 3,560.23 and the total value of stock market trades was FFr12.2bn, in line with the daily average for October.

Oil companies prospered as the US bolstered its forces in the Gulf, where it is preparing for a possible strike against Iraq. Elf Aquitaine rose FFr15 or 2.2 per cent to FFr690, while Total finished FFr10 or 1.5 per cent higher at FFr632.

Companies connected with the computer industry continued to benefit from Intel's recent optimistic statement about demand for PCs. ST-Microelectronics, the computer chip manufacturer, leapt FFr41 or 11.8 per cent to FFr387, while Cap Gemini, the software group, closed up FFr35 or 4.1 per cent at FFr885.

France Telecom again performed strongly in the run-up to its share placement later this month. The stock rose FFr19.80 or 5.2 per cent to FFr399.70.

However, traders said the Gulf troop build-up had discouraged some investors from entering the market. The index had also been held back by speculation that the US Federal Reserve's open market committee meeting on Tuesday might yield a decision not to cut interest rates.

Written and edited by Michael Morgan, Emiko Terazono, Paul Gregan and Michael Peel

Financials lead fall-back

SOUTH AFRICA

South African shares lost ground led by financials, and the overall index fell 94.2 or 1.6 per cent to 5,727.

Financials lost 2.7 per cent, with Investec down 440 cents to R194.60 and Nedcor losing 300 cents to R116.40. Industrials fell 1.8 per cent.

The gold index gained 1 per cent thanks to firm bullion. Gold Fields rose 190 cents to R33.90 and Avgold rose 4 cents to R2.95.

Tokyo package fails to impress

ASIA PACIFIC

Disappointment at the government's latest proposals to stimulate the ailing Japanese economy sent **TOKYO** stocks tumbling, *writes Gillian Tett*.

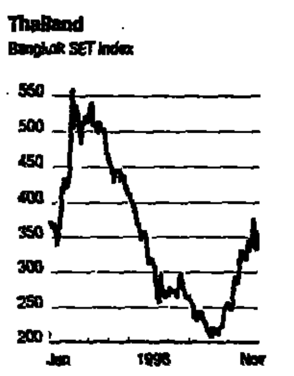
The Nikkei 225 average fell 352.96 or 2.5 per cent to close at the day's low of 14,075.06, more than wiping away Wednesday's rise. At its best, the index stood at 14,418.08.

The Nikkei 300 closed 3.55 or 1.6 per cent lower at 215.84. The Topix index of all stocks closed down 15.19 or 1.4 per cent at 1,082.93. In Osaka the near-term December Nikkei index futures contract dropped 360 to close at 14,120.

The market decline partly reflected the release of the ruling Liberal Democratic party's draft Y16,000bn stimulus package. Before the release, some traders had hoped the package would contain new tax cuts.

In the event there were no significantly new elements, and economists expressed scepticism over whether it would have any lasting impact on the economy.

Some blue chips also suffered sell-offs due to rising concern about the recent weakness of corporate results. Hitachi lost Y16 to close at Y661 and Honda Motors lost Y280 at Y4,030. After the markets closed Honda posted a 9.4 per cent rise in parent profits in the first half of fiscal 1998.



Bank shares also suffered from profit-taking after recent rallies: Fuji lost Y27 to close at Y515, Yasuda Trust Y9 to Y140 and volume leader Sakura Y2 to Y348.

Volume on the Tokyo Stock Exchange was an estimated 404m, slightly higher than Wednesday's level. Falls outnumbered gainers by 778 issues to 361, while 139 were unchanged.

BANGKOK was hit by concerns over the financial health of banks and the country's biggest oil refiner, and the SET index fell 15.32 or 4.3 per cent to 340.94.

A warning by Fitch IBCA, the credit-rating agency, that most Thai banks fell short of provision requirements, depressed sentiment, while a six-month debt moratorium by Thai Oil hit investor confidence.

Banks tumbled 8.6 per cent, finance stocks lost 5.9 per cent and the property sector fell 5.7 per cent.

SINGAPORE followed other regional markets down in spite of National Wages Council proposals to cut pay.

The Straits Times index ended down 39.63 or 3.2 per cent at 1,197.19. More than 300m shares were traded, compared with fewer than 50m on Wednesday. The fall reflected an overnight drop on Wall Street and the weakness of the Singapore dollar.

The NWC's call for a cut in wages of between 5 and 8 per cent and a reduction in employers' pension contributions had been expected.

KUALA LUMPUR ran into heavy profit-taking, which sent the composite index down 15.35 or 3.2 per cent to 460.77.

Against the trend of mostly weaker financials, MBf Capital closed 2 cents higher at 91 cents on news it was in talks with Taiwan's Fubon group for the possible sale of a stake in the Malaysian company's MBf Finance unit.

HONG KONG began firm but swiftly shifted into reverse as investors cashed in profits, eyeing a weaker Japanese yen and soft regional markets.

The Hang Seng index finished 189.14 or 1.9 per cent lower at 9,948.18 in turnover that eased to HK\$6.8bn.

Index heavyweight HSBC Holdings led the market lower with a HK\$2.50 decline to HK\$179.

China plays slipped lower in tandem with the rest of the market but outperformed blue chips.

The red-chip China-Affiliated Corporations Index eased 1 per cent while H shares lost 0.7 per cent on continuing concerns about additional share placements after last week's round of placements by red chips.

First Pacific firmed 35 cents to HK\$3.90 after the company said it was in talks to buy a stake in Philippine Long Distance Telephone.

SYDNEY closed marginally lower as investors took profits. The All Ordinaries index fell by 12.4 or 0.5 per cent to 2,706.30.

Some shareholders in News Corp, the media company, decided to cash in gains made on Wednesday after the initial public offering in New York of the company's Fox Entertainment Group. News Corp ended down 5 cents at A\$11.25.

مكبرا من الاصل

RICHARD DONKIN

Wanted: Superman

A new report suggests tomorrow's CEOs will need to be even more brilliant

Few research projects are guaranteed to make a business school academic happier than one that tries to tease out those qualities most desired among chief executives.

These lists of leadership traits have been trotted out with some regularity in the past few years and there can be few executives who cannot count the qualities they are supposed to possess on their fingers, usually ensuring that words such as "vision" are included in the first three or four.

It was not surprising, therefore, to find the "V" word high up in a new list compiled by London Business School for the Association of Executive Search Consultants.* The research looked at chief executives and chief operating officers in 212 companies in 15 European countries to discover whether the characteristics of European chief executives and companies were changing.

The Euro-executive, it seems, will need to be more brilliant than ever in future. Asked to identify their most important traits, the current bosses listed managing change, vision, adaptability in new situations and achieving targets.

When asked to list the qualities needed in their successors the list grew even bigger, with twice as many traits listed as "extremely important" including international strategic awareness, ability to motivate cross-border teams, sensitivity in different cultures and international experience. Short of wearing their underpants outside their trousers, there seems little that is not expected of these individuals.

The findings focus on the needs of the company, not of the individual

Yet something was missing. Some of the headhunters at a meeting of the AESC seminar in London to discuss the results seemed surprised that entrepreneurship was valued less in successors than in the existing executives.

Why should there be surprise at such findings? Few of the people recruited or promoted to run European companies can be classed as entrepreneurs.

Entrepreneurs often arouse suspicion among potential investors because their ideas tend not to be tried and tested and because their ambitions demand financial risk.

But there is another reason why such qualities might not be admired by chief executives in their successors. People who have built companies are hardly likely to warm to the idea that their successor might have alternative plans. Who wants to see their life's work dismantled and rearranged by someone with new ideas?

How many former chief executives, I wonder, look back with some sourness and frustration at the way their company – their legacy – has been changed, particularly if the verdict of the successor is that previous policies were ill-conceived. No wonder some company heads are loath to let go of the reins.

Headhunters do not like to admit this – at least not within the earshot of clients – but the people they place in companies are only human like the rest of us. This kind of research tends to portray big company executives as almost superhuman and the executives seem to lap it up. The more I see of it the more I think that headhunters have much in common with the tailor of the emperor's new clothes.

Another problem with the findings is that they tend to be focused on the needs of the company rather than the needs of the individuals. The best chief executives, says the study, are internationally mobile. It complains that there are too few of these people. Could this be because chief executives want a life like the rest of us?

What is the joy of jetting around the world if you want to rear a family? Such questions, sadly, are treated with disdain in many companies. If you aren't prepared to walk over broken glass for the job then you can't be worth it.

Such attitudes seemed to prevail in the army when soldiers were not encouraged to question orders. Anyone who has been moved to consider the lessons of the first world war on the 80th anniversary of the armistice might believe that there could be no repetition of the leadership behaviour that valued territorial gain more than life.

If, however, we accept that the great war generals were not inhuman, but men who were focused on a single aim – to win the war – we can see how a goal, be it corporate or military, can dominate leadership thinking to the exclusion of concerns for the welfare of the individual.

Daniel Goleman reminds us in his latest book, *Working With Emotional Intelligence*, of the draconian cost-cutting by Ronald Allen, the chief executive of Delta Air Lines who was fired last year.

Did Mr Allen display open-mindedness or sensitivity to different cultures when he cut 12,000 jobs, a third of the Delta workforce? Apparently not. Admitting the devastating effects of the cost-cutting, the callousness of his comment "So be it" smacked of some pronouncement of a Roman emperor on the defeat of his gladiator. Employees defiantly wore badges bearing his words.

Sometimes we need reminding that there can be a gulf between lists of expectations and reality. Fortunately the LBS research did provide some areas of light relief at the expense, as usual, of UK chief executives.

Not for the first time British bosses found themselves being criticised for their lack of language skills. This time, however, they really excelled themselves. Asked how many European languages they could speak, several said "none".

"In all honesty they just didn't think of English as European," says Maury Peiperl, an assistant professor at LBS and co-author of the study who explains the response as a "poignant reflection of non-integration".

The British chief executives spoke an average of one and a half languages compared to the Swiss, the most multilingual of the sample, who could speak at least three languages. So where are all those dynamic Swiss bosses of multinationals?

The report did not specify the languages spoken by UK executives but the half language probably refers to their growing proficiency in American-style management jargon where nouns become verbs. A stands for amortise, Z stands for zero-sum game and V can have only one meaning.

As if UK executives were not feeling challenged enough the report has been priced in euros, which is jumping the gun somewhat. When I called the AESC office in Brussels and asked how much this was in sterling they didn't know. "Send us a fax," they said.

**Chief Executives in the New Europe: Challenges, Shortages, and an Agenda for Change, E199, tel 00 32 2 774 9612.AESC web site: www.aesc.org*

richard.donkin@ft.com

WORKING BRIEFS

More UK companies outsource personnel

The extent to which UK companies are contracting out personnel functions such as training, payroll and recruitment is revealed in a survey by MCG Consulting Group, that looks at the human resource outsourcing policies of 143 businesses, each employing more than 150 people.

Personnel looks after recruitment in just 43 per cent of the companies, with 38 per cent expecting it to be undertaken by line management, and 19 per cent having outsourced it completely.

More than half the companies have outsourced their company car provision and 42 per cent have their payroll looked after by contractors. Personnel administered payroll in 39 per cent of sample, the rest left it to the line.

Training is also a minority function for personnel departments. Some 41 companies leave it to personnel, 29 per cent say it is a line job and 30 per cent use outside providers.

"Companies are reluctant to build up their training teams only to see them dumped during a recession," says Derek Burn, a partner at MCG.

The report, which costs £495, is designed to help companies identify and compare the costs and added value of inhouse personnel management with that provided by outside specialists.

Derek Burn 0171 242 3665

US job cuts

Some ideas of the transformational changes that are occurring in the US workforce are emerging in regular updates from Challenger Gray & Christmas, the outplacement business which tracks the rate of job-cutting in the US.

After just 10 months, the number of job cuts have exceeded those made in every year of the decade except 1991 and 1993. With 522,987 job cuts recorded to the end of October – including more than 91,000 in that month alone – the number of job losses in 1998 may end up exceeding the 1993 high of 615,000.

Lower job growth, falling consumer confidence, economic problems in Asia and Latin America and merger mania are all blamed for the increasing fall-out.

John Challenger 001 312 332 5790

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We are seeking to recruit a Director of Equity Client Management, reporting to the Global Head of Equity Sales, to be responsible for account management support, marketing coordination and information management.

The role will involve the coordination of global equity marketing activities, encompassing delivery of equity services and products. The candidate will also be responsible for the generation of market intelligence and client information and ensuring data flow into the global client management system and dissemination to product functions and equity management.

Candidates must have a proven track record in global equity sales distribution. They should also be fluent in English, German and at least one other European language.

Competitive packages including bonus and full benefits are available for the successful candidate.

Please send CV with salary details to:
Diane Tissera, Personnel Manager,
WestLB Panmure,
New Broad Street House,
35 New Broad Street,
London EC2M 1SQ

WestLB Panmure

Emerging Markets Equity Fund Manager

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HSBC Asset Management is the global investment advisory and fund management business of the HSBC Group, one of the world's largest banking and financial services organisations.

Reporting directly to the Chief Investment Officer, Asia-Pacific, you will play an integral role in the asset allocation and stock selection process with the objective of improving performance as well as successfully formulating and implementing sound investment policies. You will support business development and marketing activities working closely with other investment professionals to ensure the growth of new business. Candidates will be experienced equity fund managers with ideally 3-5 years' Asian markets experience and 7-8 years in the fund management industry. You will be motivated by change and will be currently based in, or have a desire to relocate to, Hong Kong SAR. You will be highly analytical and take a professional approach to managing portfolios, processes and people, thriving on working in a team environment that demands excellent interpersonal and communication skills. With a performance driven approach, you will be committed to developing yourself and our business.

Interested candidates should write with full CV, quoting your current remuneration package, to Susie Babani, Human Resources, 6 Bevis Marks, London EC3A 7QP, fax +44 171 336 5775 or e-mail: recruitment@hsbcam.com.

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Sales Directors, Relationship Managers and Service Officers for Off-shore Financial Services.

London, Geneva, Lugano.

Our client, a division of one of the world's leading financial services companies, provides a full range of off-shore investment solutions to medium to high net worth individuals from primarily Europe, Middle East and Africa. Due to expansion, several new opportunities have arisen for Sales Directors, Relationship Managers and Service Officers.

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You will be responsible for devising and implementing a sales strategy to achieve significant sales growth for an off-shore centre through a team of Relationship Managers. In addition to 10 years of investment sales experience gained in a world-class consumer financial services organisation, you will have a proven track record in sales leadership, excellent interpersonal skills and a strong sales and customer service orientation.

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London, Geneva, Lugano
Up to £50,000/Sfr150,000 + bonus

Supported by a Service Officer, you will be given a portfolio of clients which you will be expected to grow significantly. You will have a minimum of five years' investment sales experience with a proven track record as a client advisor in one of the following market places: Middle East, Greece, Spain, Germany, France, UK and Latin America. Fluency in English and the appropriate language of the market place is essential.

Service Officers

London, Geneva, Lugano
Up to £30,000/Sfr95,000+ bonus

Reporting to a Relationship Manager, you will be providing the full range of service and support to medium to high net worth individuals from Europe, Middle East and Africa. Fluency in English and either a European language or Arabic, together with excellent interpersonal skills and a strong customer service orientation is essential.

To apply, please send your CV with current salary details, stating preferred location and the position you are applying for, to Melanie Smith, PRL, 29 Ludgate Hill, London EC4M 7NH. Fax 0171 919 9294.

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member of the Amsterdam Exchanges, is a young, independent and growing Dutch securities broker and asset manager. Our growth is contingent on the thorough and professional research upon which we base our service for our clients.

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Institutional Sales Europe

to be based at our headoffice located in the heart of Amsterdam. He/she will be responsible for developing sales of Dutch securities in other European countries.

The ideal candidate is probably a native of his/her country of specialisation or at least thoroughly familiar with all the specifics to a degree far beyond merely speaking the language. He/she knows and has worked with the relevant people, understands the culture and etiquette and is able to generate important institutional business.

We offer a team-spirited working environment in which employees, most of whom are becoming shareholders, know that they are working towards a common goal.

Please direct your inquiries in complete confidence to Mrs. Ineke Sjollema, +31 20 607 5000, e-mail sjollema@nyenburgh.nl or by mail to Nyenburgh Beheer B.V., Stadhouderskade 14 F-G, NL-1054 ES Amsterdam.

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UK Finance Director

Aggressive planned growth in revenues and offering has generated the need for a proactive and experienced financial professional for the largest operating company of a uniquely positioned multinational group with operations worldwide. Challenging role supporting the UK CEO and Group CFO with significant scope for professional advancement and personal financial gain.

THE ROLE

- Key member of UK board responsible for delivering on a stretching yet realistic strategy to raise margins and efficiency in a national multi-site operation with revenues in excess of £100 million.
- Providing superior financial and management information to improve the decision making process and work closely with group finance to create a responsive yet robust control environment.
- Developing and managing a sizeable team, upgrading the function's performance as the business enters a period of growth, development and restructuring.

THE QUALIFICATIONS

- Commercial, systems literate graduate Accountant with first-class financial management and control skills gained from a cash-driven, multi-site operation. Property experience would be advantageous.
- Proven operator with high performance standards and excellent leadership and communication skills.
- Innovative and creative, able to comprehend and implement strategy with potential to progress in line with the demands of a growing business.

Leeds 0113 230 7774
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Spencer Stuart

Please reply with full details to:
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DIRECTOR OF FINANCE

(EUROPE, MIDDLE EAST & AFRICA)
INTERNATIONAL HEALTHCARE CORPORATION

EXCELLENT BENEFITS PACKAGE — **WARWICKSHIRE BASED**

Our client is a highly successful and well respected publicly quoted healthcare corporation operating on a global basis. Their European, Middle Eastern and African headquarters are based in the UK and they now require a high calibre Director of Finance for their rapidly expanding operations in the Region.

Reporting to the President with a dotted line responsibility to the parent company, you will lead a highly motivated team responsible for the finance function including administration, legal, IT and encompassing acquisitions, joint ventures and in-licensing agreements. Key tasks will include the timely production of financial and management information, budgeting, capital expenditure control, and systems development. In addition you will play a key part in the development of the business working closely with the President and Regional Managers on commercial matters.

You should be a qualified Accountant with a degree or MBA and have experience gained with a major healthcare or pharmaceutical group operating on an international basis. You will be highly commercial and used to controlling the finance function on an international basis. Experience of acquisitions and in-licensing agreements would also be highly desirable. You must possess excellent leadership abilities and be able to demonstrate first class technical and interpersonal skills with the ability to communicate at all levels. An international orientation and a flexible diplomatic approach are important requirements for this position.

This is a key appointment in a fast moving challenging environment and offers exceptional long term career potential.

If you are interested in the position, please telephone Stuart Adamson FCA or Phillip Johns on +44 (0)113 245 1212 or send your CV, in confidence, quoting reference number 7250, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Fax No. +44(0)113 242 0802. E-mail: adamsons@adamsons.com Web site: http://www.adamsons.com

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Change Manager

LEADING CHANGE IN TREASURY OPERATIONS

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Thomas Cook

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- Evaluate, select and implement appropriate treasury management, processing and payment systems.
- Oversee multi-functional and multi-dimensional projects, managing complex change.
- Review processes and workflow within the division, acting as a member of the Treasury Operations strategy group.
- Liaise with and pull together other treasury sites throughout the world.

You must be an accomplished Change Manager who can demonstrate experience of delivering real business benefit, on time and to budget, ideally with knowledge of treasury and financial services. You will certainly understand broad business strategy and as a credible manager, possess leadership and influencing skills with the ability to make positive impact quickly.

This is a superb opportunity for a bright, ambitious individual to play a key role within a market leading, global business.

To apply, please send your CV with a covering letter, including daytime telephone number and current salary details, to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. Telephone: 0171 333 0033. You may also apply via e-mail: finance@harveynash.com or http://taps.com/Harvey_Nash. Please quote reference number FN4115FT.

HARVEY NASH
FINANCE

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Working closely with the Chairman/FD, you will share his aims and fierce ambition. This is your chance to help shape the financial framework of the Group and influence future opportunities. Naturally, robust financial management/reporting and effective controls are essential. An awareness of the impact of IT systems on the business is paramount as you will also project manage a new nominal accounting system.

You will be a qualified accountant probably with 3 years' PQE, gained ideally in a medium sized organisation, have experience of running a finance department and possess first-class technical skills. You will also need a strong IT affinity, the ability to concentrate on results and a proven track record at a senior financial level. Above all, you will carry the credibility and energy to win influence across the entire organisation.

The rewards match the challenge. An attractive salary is complemented by a comprehensive benefits package, whilst the scope for personal and professional advancement is considerable.

In the first instance, please write enclosing your CV to: Paul Mulcock, Senior Consultant, Stark Brooks Associates, First Floor, Friends Provident House, 13/14 South Parade, Leeds LS1 5QS. Tel 0113 242 5898. Fax: 0113 242 8836. E-mail:recruit@starkbrooks.u-net.com Closing date is 20 November 1998.

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- It provides tailor made solutions to an impressive client base, developed over 30 years using traditional methodologies combined with cutting-edge techniques.
- The Finance Director is an essential member of the senior management team, working closely with the Chief Executive and Chairman to ensure the overall smooth running of the company, in charge of a team of 40.
- The role is both strategic and operational in content. Early priorities will include systems development to support a matrix organisation structure, and contribution to the development of the group's global IT network.
- Candidates will be graduate qualified accountants with experience of managing a large finance team in a strongly people-orientated service sector industry.
- Personal qualities will include exemplary people skills; a calm, direct personality; a high level of self-motivation; and excellent communication abilities.

Please apply in writing quoting reference 1739 with full career and salary details to:
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Tel: 0171 290 2043. Fax: 0171 290 2138
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Senior Internal Auditor

MINISTRY OF DEFENCE

The above opportunity exists within the Internal Audit Directorate of the Ministry of Defence, Sultanate of Oman. The post is offered on accompanied contract for an initial period of 2 years, renewable annually thereafter by mutual agreement.

In this role you will undertake systems-based internal audit functions of the Ministry of Defence and three Services, including the three "E's". Although based at the HQ MoD in Muscat, military establishments throughout the Sultanate will be visited. Duties will also include the training of Omani Auditors

The Internal Audit Directorate makes a recognised and valuable contribution to the Ministry. It is in the process of revising its approach in order to provide a more responsive service to all levels of Command/Management. The successful applicant will contribute towards these developments which offer an exciting challenge.

Applications are invited from qualified Accountants, who have at least 7 years' Internal Audit Experience at a senior level within a diversified organisation.

Terms of Service include annual Pay in Omani Rials equivalent to approximately Pounds Sterling £24,000. There is an end of contract gratuity of 20% of the total pay received (both pay and gratuity are TAX-FREE and fully remittable worldwide). In addition, an attractive benefits package includes 60 days' annual leave with 2 return flights home, free fully furnished air-conditioned accommodation, services, allowances for domestic staff and transport and first class recreational facilities.

To apply, please write with full CV to:
The Recruiting Officer (L), Military Attachés Office, Embassy of the Sultanate of Oman, 64 Ennismore Gardens, London SW7 1NH.

S U L T A N A T E O F O M A N

Finance Director

MOTOR NEURONE DISEASE ASSOCIATION

Northampton — **Circa £42,000 plus benefits**

Every day in the UK 3 people die of Motor Neurone Disease (MND). Whilst ultimately striving for a cure, the MND Association has a dual mission: to ensure that people affected by MND can secure the care and support they need; and to promote research into the causes and treatments. The Association works across the UK through 90 branches, over 1,000 volunteers and 6,300 members. The Association is growing and changing rapidly to constantly improve the quality and range of its work. Current annual income is £4.5m, a 25% increase on last year.

This is a broad and challenging position which is central to the efficient operation and continued development of the Association. Reporting to the Chief Executive, you will be a key member of the management team, contributing fully to the development and implementation of strategy. Your initial responsibilities will include a comprehensive review of the existing function and management information, in line with the changing needs of the management team and Trustees.

You will be a qualified accountant with at least five years' management experience gained within the commercial, voluntary or public sectors. A strategic thinker, with excellent interpersonal skills, you will have a flexible, hands on approach and the desire to work as part of a committed team in a dynamic and growing organisation. An understanding of the issues affecting the voluntary sector is essential.

If you have the qualities and experience we seek, please apply with a comprehensive CV and salary details, quoting ref 1836, to Richard Holland (0171 304 1648) at Binder Hamlyn, 1 Surrey Street, London WC2R 2PS, or fax your details on 0171 489 6296. *The Closing date is 25 November 1998. Shortlist interviews will be held week commencing 30 November. Final interviews will be held on 17 December.* The MND Association is committed to equal opportunities.

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Finance Director

- **Wiltshire**
- **£70k + equity + exceptional benefits**

Our client is one of the world's leading manufacturers of high technology components, a significant percentage of which are exported to a global customer base and used in numerous industrial applications. They are now seeking to appoint a highly commercial Finance Director who will be able to contribute immediately to the strategic goals of the business.

Working closely with the Managing Director and supervising a small accounts team you will be responsible for all aspects of the finance function including improvements to management information, particularly manufacturing and costing systems, in order to secure information essential to plan and control the commercial direction of the organisation. In addition you will improve levels of financial awareness across the organisation and provide an informed financial perspective on a broad range of business issues to the board and senior colleagues.

Ideally a graduate chartered accountant with several years' commercial experience gained in manufacturing organisations, you will have the ambition and confidence coupled with technical and commercial skills to add value to the development of the organisation. The successful candidate will be a proven team player who has a 'hands on' approach and displays strong interpersonal and communication skills to influence people, issues and events.

Rewards are as you would expect from such a challenging and demanding role and include excellent salary and equity opportunity in addition to an exceptional benefits package.

Candidates who possess the combination of commercial and technical skills should apply in writing quoting current remuneration to Paul Bennett, KPMG Selection & Search, 100 Temple Street, Bristol BS1 6AG. Tel: 0117 905 4042. Fax: 0117 905 4041. Email: paul.bennett@kpmg.co.uk

KPMG Selection & Search

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IT Appointments

IT Appointments